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1960

*Bikinis on U. S. beaches*

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# BUSINESS WEEK

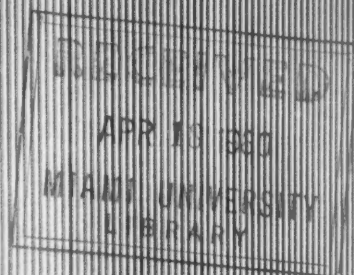
A McGRAW-HILL PUBLICATION

FIFTY CENTS

APRIL 16, 1960



For Frank Magee and Alcoa the '50 s forced profound change. Now, in a broader market, the '60 s look fine.  
(Companies)



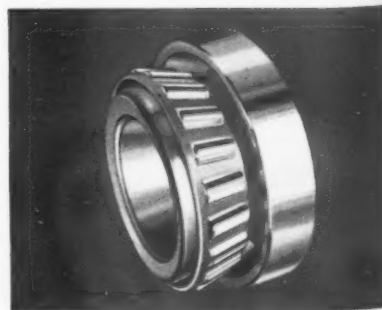
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## Farmer's jack-of-all-trades: the tractor!

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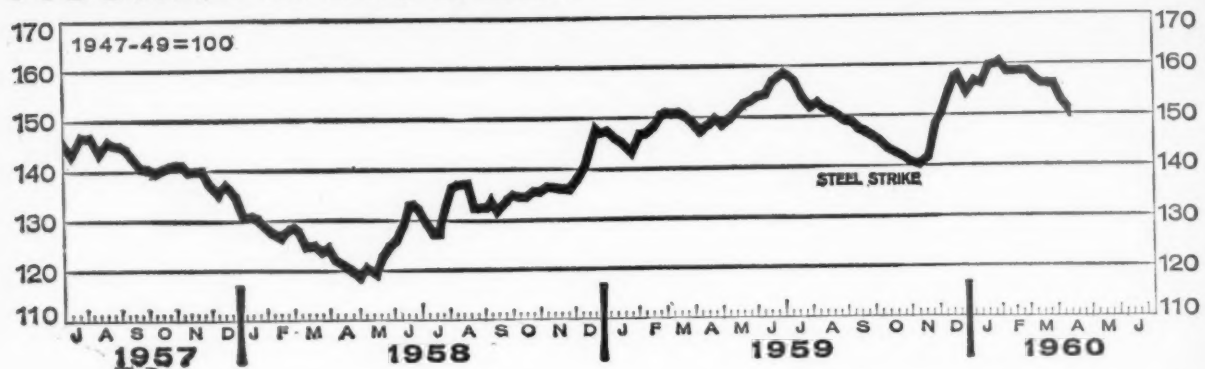
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# FIGURES of the WEEK



## BUSINESS WEEK INDEX (chart) . . . . .

1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
133.3	149.4	156.7	153.4r	151.2*

## PRODUCTION

Steel ingot (thous. of tons).....	2,032	2,657	2,601	2,417r	2,277
Automobiles .....	125,553	133,202	145,967	147,830r	133,490
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$63,952	\$64,005	\$65,315	\$66,300
Electric power (millions of kilowatt-hours).....	10,819	12,604	14,271	13,542	13,494
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	7,127	7,049	7,151	7,028
Bituminous coal (daily av., thous. of tons).....	1,455	1,293	1,267	1,452r	1,389
Paperboard (tons) .....	247,488	312,695	319,033	304,514	316,815

## TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	63	57	59	61
Carloadings: all others (daily av., thous. of cars).....	47	36	36	41	39
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	117	98	131	143
Business failures (Dun & Bradstreet, number).....	198	337	290	356	333

## PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	91.0	90.9	92.6	93.0
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	81.3	74.2	76.0	76.5
Print cloth (spot and nearby, yd.).....	19.8¢	18.6¢	21.8¢	20.5¢	20.5¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.8	186.8	186.8
Scrap steel composite (Iron Age, ton).....	\$36.10	\$35.17	\$33.50	\$33.17	\$33.50
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.394¢	31.675¢	33.000¢	33.000¢	33.000¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	‡	21.77¢	25.02¢	25.01¢	24.99¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.13	\$2.12	\$2.12	\$2.12
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.53¢	32.03¢	32.05¢	32.09¢
Wool tops (Boston, lb.).....	\$1.96	\$1.74	\$1.75	\$1.74	\$1.73

## FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	56.50	54.43	55.74	56.34
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.83%	5.27%	5.18%	5.18%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	3% %	4% %	4½% %	4%

## BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	‡	60,903	59,586	59,072	58,788
Total loans and investments, reporting member banks.....	‡	102,962	100,986	101,040	100,849
Commercial, industrial, and agricultural loans, reporting member banks....	‡	32,144	31,219	31,930	31,791
U. S. gov't guaranteed obligations held, reporting member banks.....	‡	32,980	25,068	24,493	24,361
Total federal reserve credit outstanding.....	26,424	27,357	27,075	26,778	26,950

## MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Employment (in millions).....	62.2	63.8	64.5	64.3
Unemployment (in millions).....	2.5	4.4	3.9	4.2
Average weekly earnings in manufacturing.....	\$73.36	\$89.24	\$91.14	\$90.68

\* Preliminary, week ended April 9, 1960.  
‡ Not available.

r Revised.  
§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Robert Huntzinger; 23—(right, 2nd from bot.) Joan Sydlow; (right bot.) UPI; 25—WW; 27—WW; 30—John Coneen; 32—Albert Moldvay; 43—Ed Nano; 55—(top) H. Grant Compton, (bot.) U. S. Rubber; 64—U. S. Steel; 66-67—Leonard Nadel; 79—Jack Ramsdell; 88—Minneapolis-Honeywell Regulator Co.; 90—Magnetic Industries; 95—H. Grant Compton; 98—Martin Co.; 111—Bud Blake; 120-121—H. Grant Compton; 148, 149, 151—David Zingg; 168-169—Robert Huntzinger.

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## FOR PENSION PLANNERS: new analysis of latest pension plans for leading companies in 114 industries

### ***Contains Answers to These Important Problems***

- TRENDS IN RETIREMENT PLANS
- DISABILITY BENEFITS
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Recent developments in pension programs, affecting more than one-third of all employees in the country covered by private plans, are reviewed in our *1960 Study of Industrial Retirement Plans*.

Bankers Trust, long a leader in pension planning and administration, has prepared this 228-page book as part of its continuous activity and extensive research in the field. The book is especially valuable to executives concerned with pension planning, because it covers the most recent developments, new programs and changes in existing plans.

To get your copy of *1960 Study of Industrial Retirement Plans*, please write on your company letterhead to Pension Trust Division, Bankers Trust Company, 16 Wall Street, New York 15, N. Y.



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MEMBER F. D. I. C.

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WHAT DOES A WISCONSIN INSURANCE COMPANY  
HAVE TO DO WITH YOUR GROCERY LIST?

# Wausau Story

in FLORIDA'S CITRUS INDUSTRY

by John M. Fox, President,  
Minute Maid Corporation, Orlando, Florida



**John M. Fox**, young and dynamic president of Minute Maid Corporation, is recognized as the founder of the frozen concentrate industry and one of the outstanding leaders in food processing.

★ ★ ★

*Employers Mutuals of Wausau has offices all across the country. We write all forms of fire, group and casualty insurance (including automobile). We are one of the largest in the field of workmen's compensation. Consult your local telephone directory for the nearest Wausau Man or write us in Wausau, Wisconsin.*

"Not too many years ago you had to be in the right place at the right season to enjoy orange juice, lemonade, limeade or grapefruit juice. But now, frozen citrus concentrates can be mixed and served anywhere, any time.

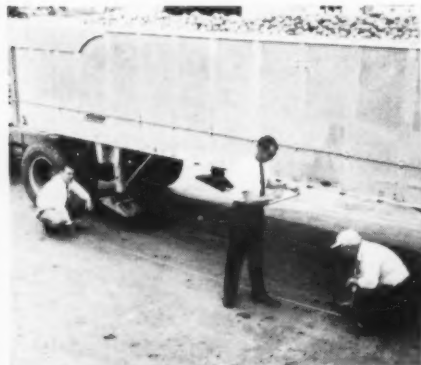
"This required years of research and millions of dollars of investment. Added to the problems of launching any new business were the special problems that arise with a food product. In this business, processing means a constant race against the clock. Then too, food processors operate within an extremely narrow margin of profit per sales dollar.

"Problems like these call for men with specialized experience and demonstrated ability. Our own men must

have these qualities, of course . . . and so must the men from companies that provide the services we need.

"Employers Mutuals of Wausau has the men who meet these requirements. As policyholders, we get the benefits of their experience in food processing plants all over the country. We get the benefits of having Wausau Men work with us so that we can work safely.

"Accidents cause delays and cost money. But safety means savings—for us and for you. In our Transportation Division alone, Employers Mutuals has helped reduce the number of lost-time accidents by 85%. The safety record in our groves and plants is equally effective."



**Eddie Mew** (right) has a record of almost 1,500,000 miles of safe driving. At the Driver's Training School Eddie measures the distance needed to bring his fully loaded truck to a stop on signal. Lucky Norris (left), Minute Maid Fleet Supervisor and Paul Holmes, Wausau Safety Engineer, assist with the test.



**Ed Waters**, Employers Mutuals Man, has a Minute Maid radio-telephone in his car so that he can keep in constant touch with all operations from groves to plants . . . and be available without delay wherever his help is needed.

## Employers Mutuals of Wausau



"Good people to do  
business with"

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**BUSINESS WEEK • Apr. 16, 1960**

## READERS REPORT

### Foreign Competition

Dear Sir:

Your article on the impact of increased foreign competition on American manufacturing firms [BW—Mar.19'60,p143] interested me greatly. This letter is written in order to clarify several points with regard to S.2882 the bill I have introduced in the field of foreign trade and referred to by you.

I want to make it clear that as a member of Congress I have always supported America's reciprocal trade program. S.2882 would not repeal or reverse this policy.

The principle to which this bill is keyed is straightforward. In a great many instances, imports are able to displace domestic products because of the differential between American wages and wages in the exporting country. This is a matter of public policy to the extent that American minimum wages are set by law. In this light, it is my opinion that in those cases in which injury to American firms . . . is clearly attributable to the wage cost differential, some . . . relief should be granted keyed to this differential.

In my mind, S.2882 constitutes a modern and sensible approach to a problem which has become increasingly more serious in recent years. Legislation along these lines would, I believe, enable this country to strike a better and fairer balance between our domestic and international foreign economic policies and would at the same time prevent a limited number of American industries from bearing the full burden of increased foreign competition.

Another point which I want to emphasize is that legislation such as S.2882 to provide relief to certain injured domestic industries is by no means incompatible with administrative and legislative efforts to increase American exports. I have consistently supported such efforts. It is my firm belief that we must be willing to deal with our present international balance of payments situation in every possible way.

KENNETH B. KEATING

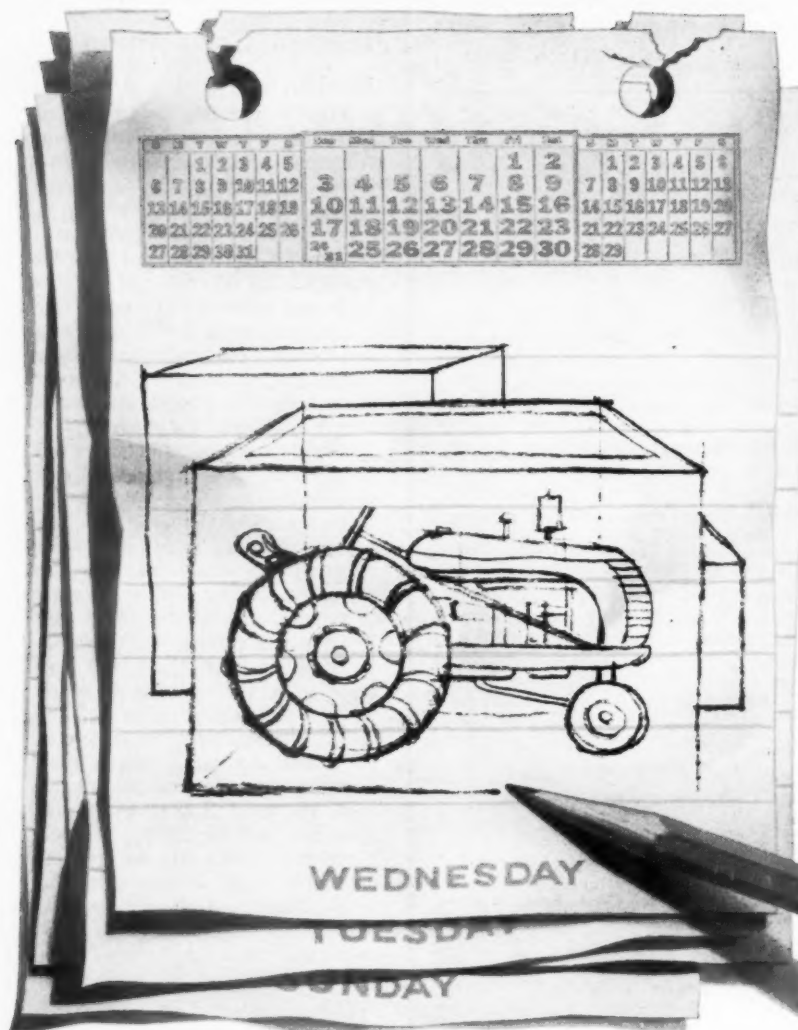
UNITED STATES SENATE  
 WASHINGTON, D. C.

### Older Executives

Dear Sir:

. . . On the Personal Business page [BW—Mar.26'60,p159], you quote or paraphrase material put





## Jet cargo service, non-stop to Paris, now...every day of the week!

Air France flies more jets to Paris than any other airline! Ten flights a week. And cargo goes on every one, every day. Big cargo. Bulky cargo. Heavy cargo. Air France 707 Intercontinental Jets have the extra-large doors and the extra-large capacity to handle it! Huge, 1700-cubic-foot cargo holds accommodate more than 5 tons of cargo—*triple the capacity* of ordinary airlines. Effective April 1, rates are lower on many commodities...as much as 45% lower than ever before! And service is faster. Only 6¾ hours New York to Paris. Immediate connections to other points throughout the globe. For more information about Air France Jet Cargo, see your cargo agent or call the nearest Air France office. Air France speeds cargo to more cities in more countries than any other airline.

**AIR FRANCE JET**  
WORLD'S LARGEST AIRLINE/WORLD'S MOST PERSONAL SERVICE

out by the Institute of Directors (London). Would you... tell me where I might write for the full text of this material that deals with the "elder manager."

The little reference to the lessening of short-term memory is already a life saver to my ego. I'd like to know more.

JOHN C. SPRAGUE

VICE-PRESIDENT  
ACHESON INDUSTRIES, INC.  
FORT HURON, MICH.

• Institute of Directors, 10 Belgrave Square, London, S.W. 1, England. Booklet—"The Older Director—His Limitations and Advantages"—(2 shillings).

## Base Companies

Dear Sir:

Your article Puerto Rico Bids as Tax Haven [BW—Mar. 12'60, p32] contains valuable information. . . .

Especially valuable is the indication that the Government of Puerto Rico is now working on legislation to permit base companies to be incorporated there, and still more important, the clear indication that such corporations, although possibly subject to local receipt taxes, would not be subject to income tax there on income earned outside that country. That is splendid!

In view of the great value and significance of this proposed move it is unfortunate that the definition in that article of "a base company" is incorrect and worded in such a way as to arouse justifiable criticism of implied provisions of U.S. tax law which do not exist and have never been proposed. A United States corporation which "funnels" income of its operations to a corporation organized in any so-called "tax-haven" or "base" country is fully subject to U.S. tax regardless of where such income is received. Actually, a "base company" is, typically, a U.S.-owned Panama corporation, which in turn, owns the stock of one or more foreign "subsidiaries." Income earned by such a sub-subsidiary is not subject to U.S. tax when received by the base company (unless the latter is, technically, an "incorporated pocketbook").

PAUL D. SEGHERS

SEGHERS, REINHART & MC CALL  
ATTORNEYS-AT-LAW  
NEW YORK, N. Y.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.

# Announcing the 1960 G-E Fluorescent Lamp



## "MONEY SAVER CONTEST"

**525 WINNERS**

*Takes only seconds to enter—Nothing to buy, nothing to write*

Here's a guessing contest for lamp users. It's a fun way for General Electric to demonstrate this very important point: *Whatever type of fluorescent you use, General Electric research has produced a lamp that will give you more light for your money.* To underscore the point, we are using our most dramatic new fluorescent, the mighty G-E Power Groove\* Lamp.

**TOP 25 WINNERS** will receive a handsome matched ensemble of decorator-approved lamps for the home—including:

- One swing arm desk lamp
- Two 33-inch-tall matched end table lamps
- One floor lamp
- 12 feet of fluorescent lighting for valances or cornices

All lamps with beautiful matching shades

**NEXT 500 WINNERS** will win powerful G-E PAR outdoor spotlights with water-proofed socket and 25 feet of cord.

### HERE'S ALL YOU NEED TO KNOW TO WIN:

- G-E Power Groove Lamp Fact No. 1—users save from \$15 to \$85 per lamp on initial installation costs over previous fluorescent types.
- G-E Power Groove Lamp Fact No. 2—The lamp is by far the most popular and successful high intensity fluorescent on the market today.

At this point you become an armchair economist. Just make a guess at how many initial investment dollars *all* G-E Power Groove Lamp users *will* save between June 1, 1959, and June 1, 1960. (We won't have our final estimate until after June 1, 1960, so your guess is as good as anybody's. But here's a tip: We think it will be between 12 and 18 million dollars!)

**NOTHING TO BUY... NOTHING TO LOSE—** Enter now! Get your entry blank and any further information you might need from your G-E Lamp distributor.

General Electric Co., Large Lamp Dept. C-012, Nela Park, Cleveland 12, Ohio.

\*General Electric trademark for its non-circular cross section fluorescent lamp.



*Progress Is Our Most Important Product*

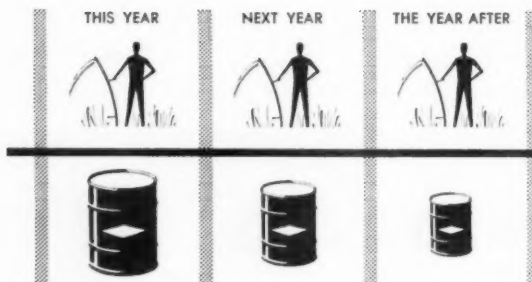
**GENERAL ELECTRIC**

**GENERAL ELECTRIC...WHERE BRIGHT IDEAS BECOME BETTER LAMPS**



## Why cost-conscious executives insist on ch

**Chemical  
weed control  
cuts costs  
more  
each year!**



Old-fashioned hand cutting and mowing methods cut vegetation, but don't kill it. As a result, more and more expensive time and labor is required every year.

With chemical control, after the initial treatment, maintenance applications in future years become progressively easier, cost less and less.





Along railroads, chemicals contribute to fast, safe service by preventing interference with signal mechanisms or damage to roadbeds caused by weeds and brush. In off-track areas, weed control cuts fire risk.



Utility right-of-ways, choked with weeds and woody brush, must be kept clear and open to prevent service interruptions. Regular programmed vegetation control eliminates expensive periodic "crash programs."



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unsightly, unkempt appearance to your visitors.

But how do you control costly weeds, grass, and brush without the high cost of the control itself? Many cost-conscious industrial executives are saving half the cost of hit-or-miss manual methods with a planned program of chemical vegetation control. A planned program first takes inventory of the vegetation problem, then pre-

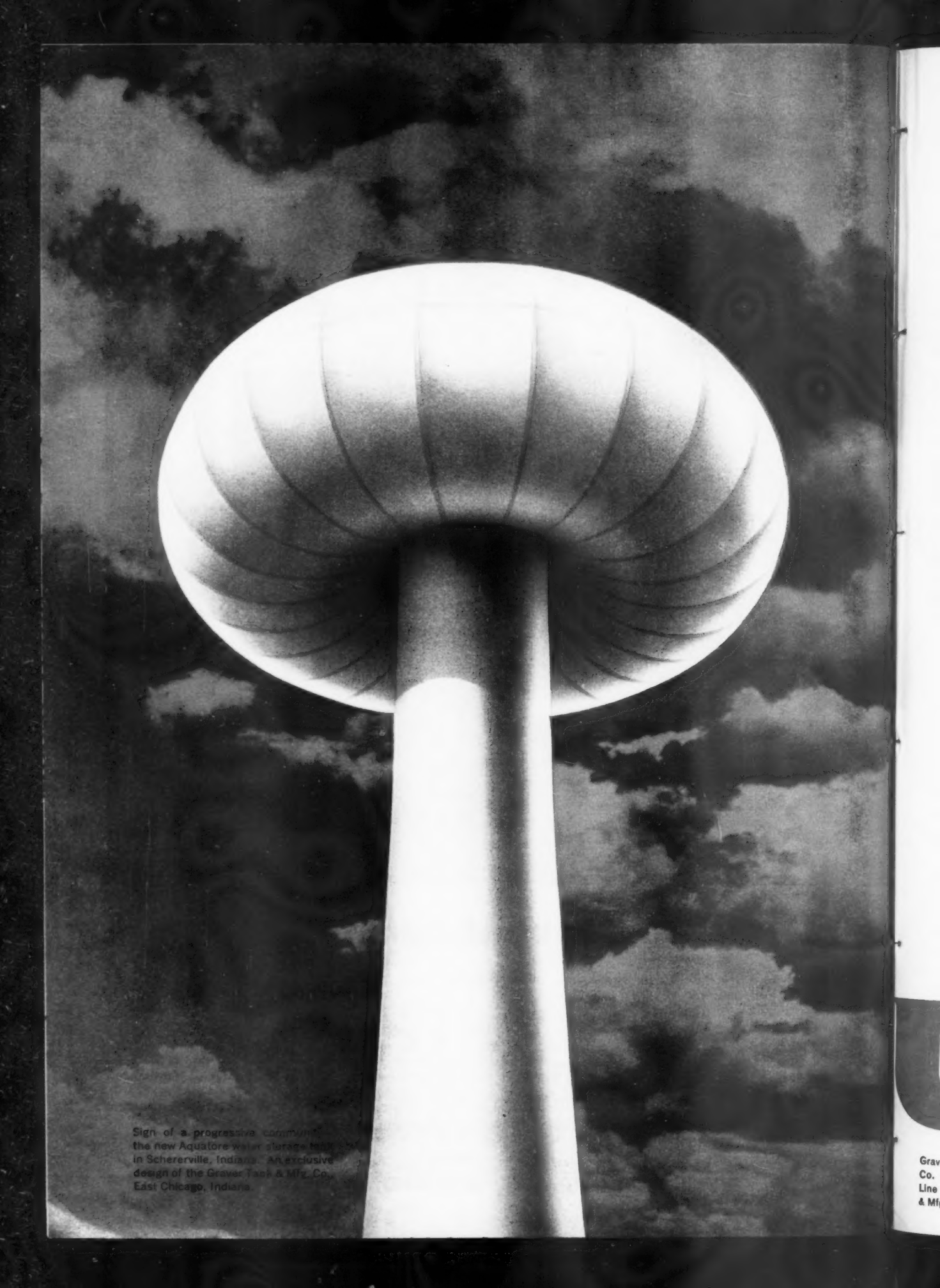
scribes the proper chemical to be applied over a span of years to provide continuous control.

Dow vegetation control experience plus the complete Dow family of chemical weed, grass, and brush killers are at your service. May we work with you? For full information, write: THE DOW CHEMICAL COMPANY, Agricultural Chemicals Sales, Dept. 202AF4-16, Midland, Michigan.

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tation of practically every fluid known.**

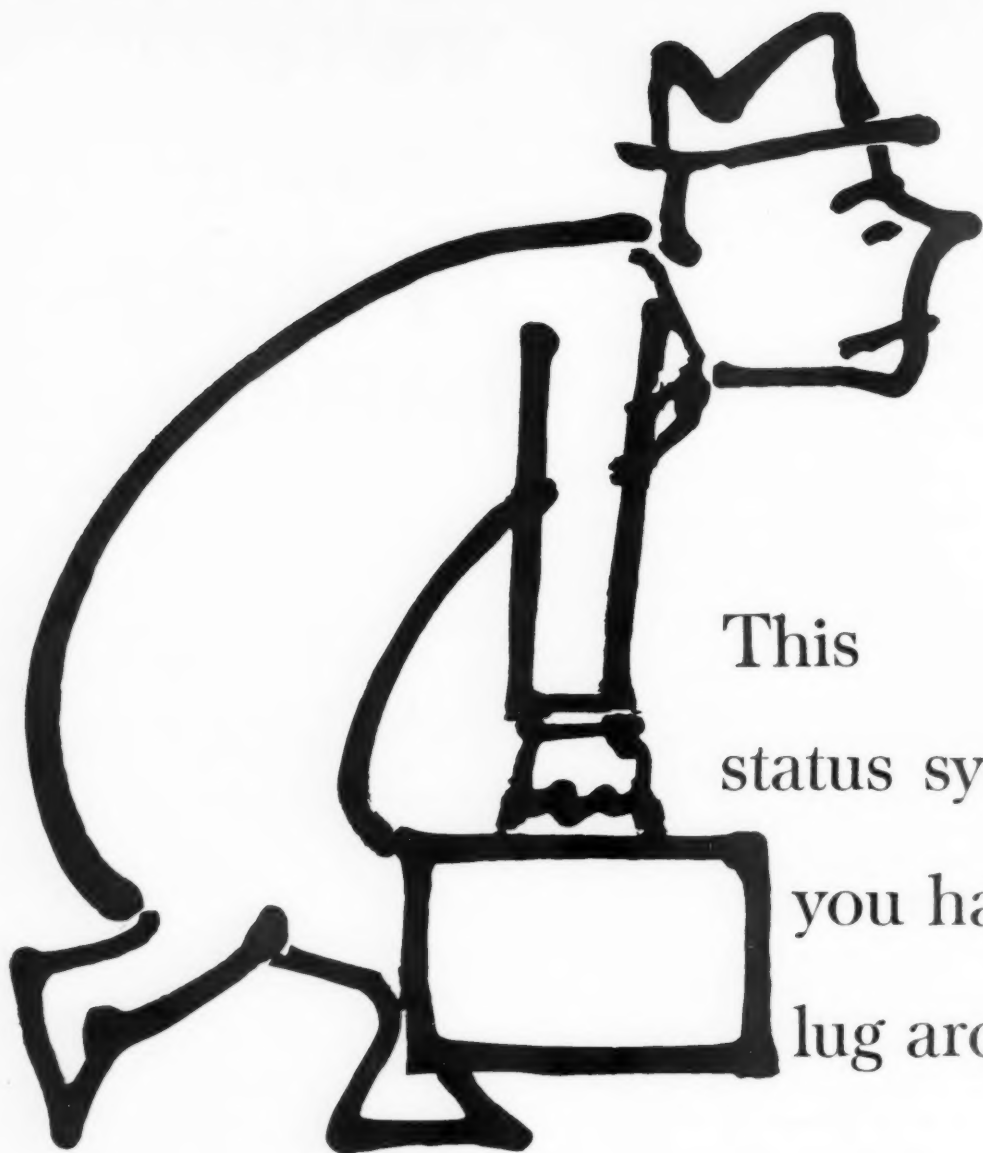
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# UNION

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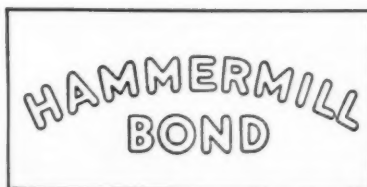
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Carrying an attaché case won't make you a vice-president overnight. Putting your letters on Hammermill Bond won't do it either. But it will help when you make sure your customers un-

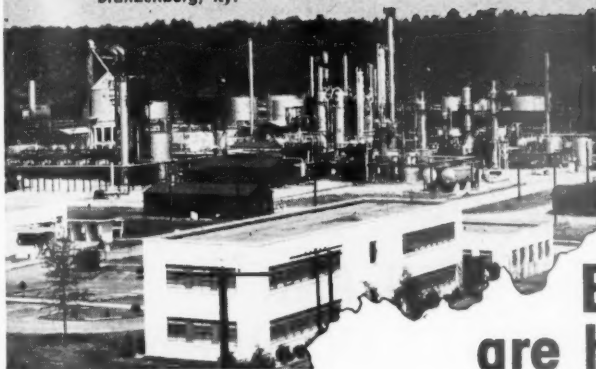
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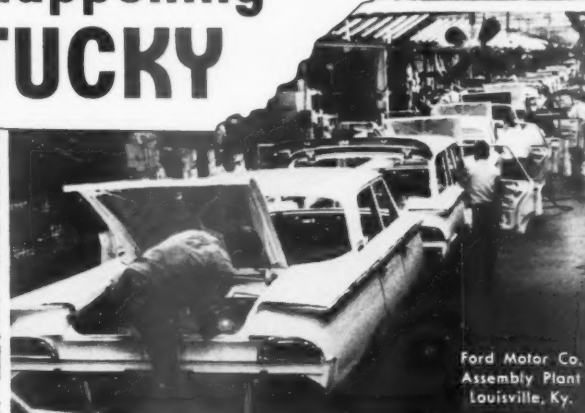
Air Reduction Co., Inc. Plants  
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## BIG THINGS are happening in KENTUCKY



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Armco Steel Corp.  
Ashland, Ky.



Ford Motor Co.  
Assembly Plant  
Louisville, Ky.

SINCE World War II, industrial expansion has been 43% greater in Kentucky than in the Nation as a whole. Machinery manufacturing is up 601.5%—chemicals up 317.8%—electrical machinery manufacturing up 411.1%. Total Kentucky manufacturing is up 135.1% as compared with 94.5% for the United States. (Source: U.S. Dept. of Commerce.)

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**Government and Industry Join To INVITE You  
To Kentucky . . . To SHOW You Why You Should  
Move Here . . . To HELP You When You Arrive!**

The industrial departments of leading utilities, railroads and the Kentucky Chamber of Commerce have pooled their individual facilities to work in closest co-operation with each other and with the Kentucky Department of Economic Development. This "Kentucky Team," can provide you with all the data you need to analyze your opportunities in Kentucky. The private members do not push their own companies' interests unless those interests coincide with your own.

This "Kentucky Team" is unusually competent and effective. Give us an outline of your requirements, and let us show you what we can and will do for you. Address:

Lt. Gov. Wilson W. Wyatt, or E. B. Kennedy, Commissioner

Dept. of Economic Development,

300 State Capitol Building, Frankfort, Kentucky

COMMONWEALTH OF

# KENTUCKY



At the request of Governor Bert Combs, Lt. Governor Wilson W. Wyatt (nationally-known lawyer, and National Housing Expediter after World War II) devotes his full authority to Kentucky's industrial development.

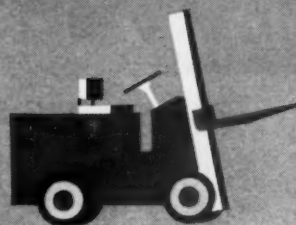
A tremendous new program has been set up to supplement all standard devel-

opment procedures. Every branch of State Government is involved, and the program is backed by hundreds of private organizations. Tax legislation favorable to industry . . . a new 3% sales tax to finance better schools, roads and other improvements . . . state authority for building airstrips, and access roads to plant sites

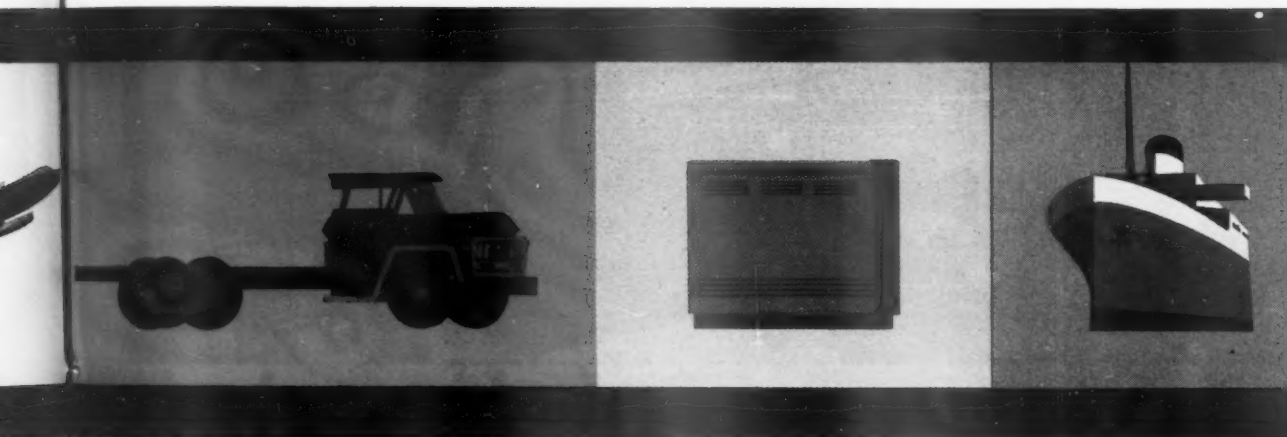
. . . an Industrial Development Finance Authority, recently upheld by the Court of Appeals, to aid local industrial development projects . . . these and many other great forward strides have been made or are now on the threshold of accomplishment. Big things are happening in Kentucky. Write for full details!

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With its many diversified applications in modern metal design, it will pay you to investigate N-A-X HIGH-TENSILE for savings in weight, in production time and for longer product life. A thoroughly competent metallurgical service organization is available to work with you on any application problem you may have. Write, wire or phone Product Development Department, Great Lakes Steel Corporation, Detroit 29, Michigan.

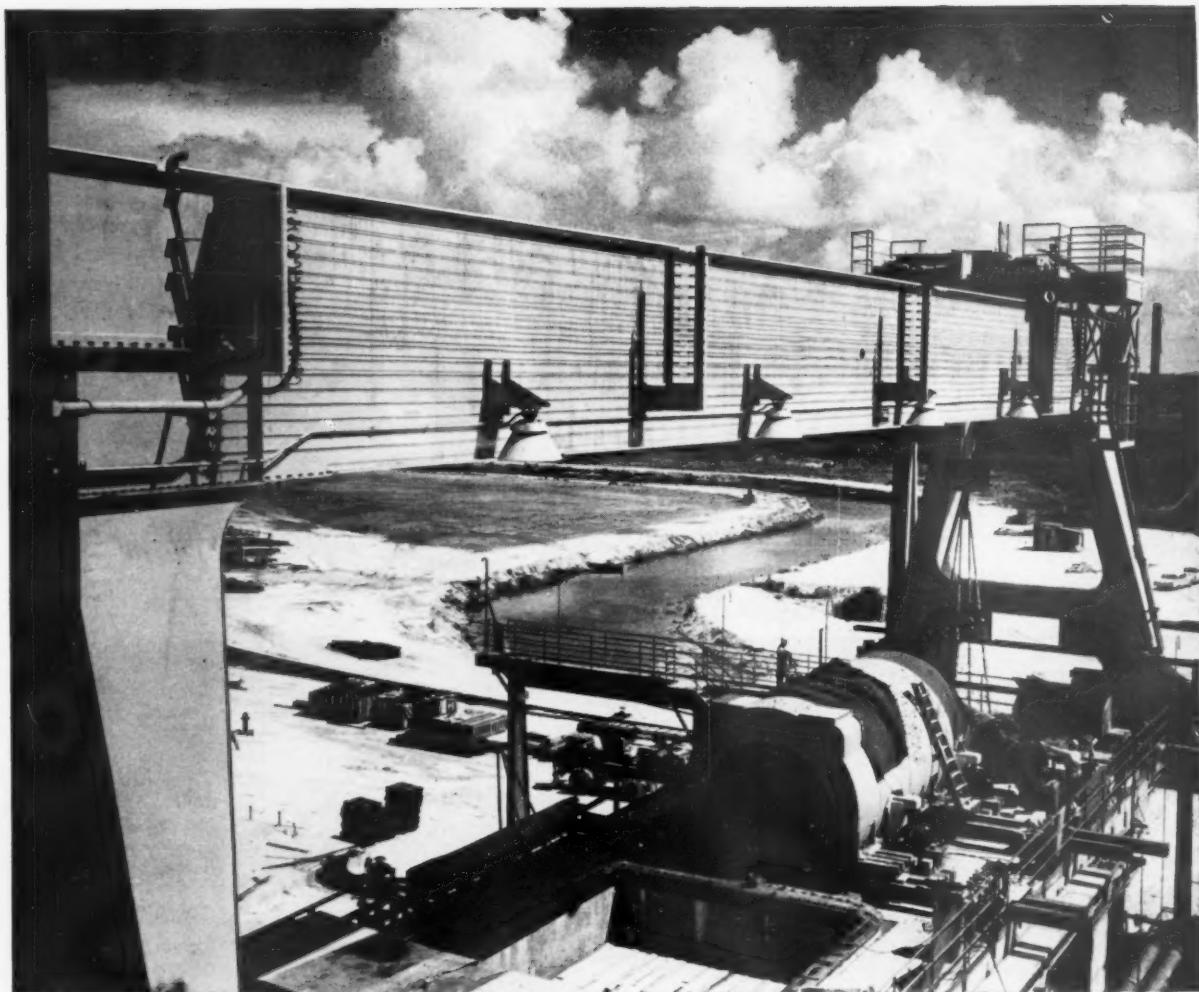


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to attract top employees?  
Keep the best people  
working for you?  
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**CREATE NEW COMMUNITIES**—The name Levitt & Sons is synonymous with neighborhood planning and home building at a rate unprecedented in this nation. In ten years this firm will have completed homes to house more than 200,000 people in three separate "Levittown" communities. To keep pace with its exacting schedules, Levitt selected multicolor lacquer based on Hercules® Nitrocellulose for interior decorating. This paint—as modern as the concept

of Levittown itself—can be applied in a single spray coating over any properly primed surface. Using multicolor, Levitt has designed a system that permits one man to apply a topcoat to a minimum of 8 houses in one working day. (Multicolor lacquer for Levittown, N. J., is "Multakolor," manufactured by United Lacquer Corporation, Linden, N. J., under license from Coloramic Coatings, Inc. and their own pattern for "Multakolor.")



**PROMOTE MODERN PACKAGING**—Whitey, an Avon product, is a unique new container designed to package a bubble bath solution, and to serve afterwards as an appealing, durable toy. It's typical of many containers for soaps, household chemicals, drugs and cosmetic products now being made with Hi-fax®, high-density polyethylene, one of three new Hercules plastics.

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# BUSINESS OUTLOOK

BUSINESS WEEK

APRIL 16, 1960



Some of the figures on March activity are just as well to have behind us (if not to forget) so we can hope for better things.

This is conspicuously true in aspects where March is supposed to be a month of rapid expansion and turned out this year quite the opposite. Employment is a case in point; so is production generally.

Employment was caught in the March sampling (taken during a stretch of miserable weather) at just over 64¼-million.

This, it is true, was a new high for any March. Yet it was a quarter million below February, when, in normal circumstances, a rise of about 450,000 was to be expected. In fact, even in the recession years of 1954 and 1958, small February-to-March gains took place.

Similarly, unemployment stood at 4.2-million last month—up by 275,000 when a decline from February is the normal expectancy.

These employment trends were exaggerated, without doubt, by weather that held back construction and farm work. It also is true that February had shown substantially better-than-seasonal trends (and, as the Labor Dept. emphasized, these things have a tendency to even out).

Yet it was becoming clear in February and even more evident in March that several industries were laying off rather than hiring.

Leave out farming, one of the lines most susceptible to weather, and you find a dip of 200,000 in nonagricultural jobs last month.

The total of 59.7-million (which includes the self-employed, odd-job workers, and others not on payrolls) was a little more than a million above a year ago—but a million is a much smaller margin than had been maintained for more than a year (barring the steel strike period).

And manufacturing, which normally holds steady or adds a few hands in March, offered fewer jobs last month, notably in metalworking lines.



To realize that there is more behind the employment situation than bad weather, you need only look at Business Week's Index (page 2).

Here the drop reflects fully the production decline in leading industries such as autos and steel. More than that, however, the index reflects the extent to which these and other industries have failed in recent weeks to measure up to the normal seasonal.

Construction awards have been a bit disappointing. And demand for electric power, after an enormous March, has returned about to February's level on a seasonally adjusted basis.



Payroll effects of last month's disappointing employment showed in more ways than the smaller number of jobs:

- Some 825,000 normally full-time workers weren't on the job at all when the count was taken. An additional 2.2-million were working less than full time. (All of these were counted as employed because they had jobs even though they might not have been working.)
- The factory work-week shortened to an average of 39.6 hours, 0.2 of an

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**  
**APRIL 16, 1960**

hour less than in February and 0.6 less than a year ago. That thinned the average pay envelope in a month when it should have fattened.

Reduced payrolls so close to Easter were nothing to bring joy to retailers' hearts. But, with the weather to blame, the fact might have been shrugged off had this not come so soon after the direct and indirect wage losses caused by the steel strike.

—●—

Whether the March payrolls are symptomatic of something worse to come or simply mark the end of a disappointing winter will have to be judged from the way the consumer acts.

That's why many observers are saying it's now or never, and they'll keep a close eye on retail sales this month and next.

Retail sales made a pretty good showing in March, all things considered, as far as can be judged from the preliminary figures put out by the Dept. of Commerce in the monthly flash report.

The seasonally adjusted level was very nearly up to the first two months of the year and well above a year ago.

And the unadjusted total of nearly \$17¼-billion was comfortably ahead of a year ago even though March last year had the full benefit of the Easter sales season.

Dollar volume of retail outlets specializing in softgoods had the eleventh consecutive month of very high volume. The worst that can be said is that volume in softgoods hasn't been rising; it has held around \$12.1-billion since last May (except for strike-hurt October).

Success of durable goods—which is so important to the business outlook just now—wasn't conspicuous in the March retail returns.

The Commerce Dept. calculation of sales of autos and automotive products, in fact, doesn't sound much like the reports coming out of Detroit on new car deliveries (page 23).

On these figures, March showed only a very small gain over a year ago. But this may be due to slow sales of used cars; it's the pickup for new cars that Detroit is stressing.

For the first quarter, Commerce reports \$9.6-billion volume for sales of cars (new and used) and automotive products. This compares with just under \$9.4-billion in 1959 and \$8.1-billion in 1958.

Retail sales of furniture and appliances added \$2.4-billion to the quarter's total in hardgoods. They did \$2.3-billion plus in 1959 and 2¼-billion in the 1958 quarter.

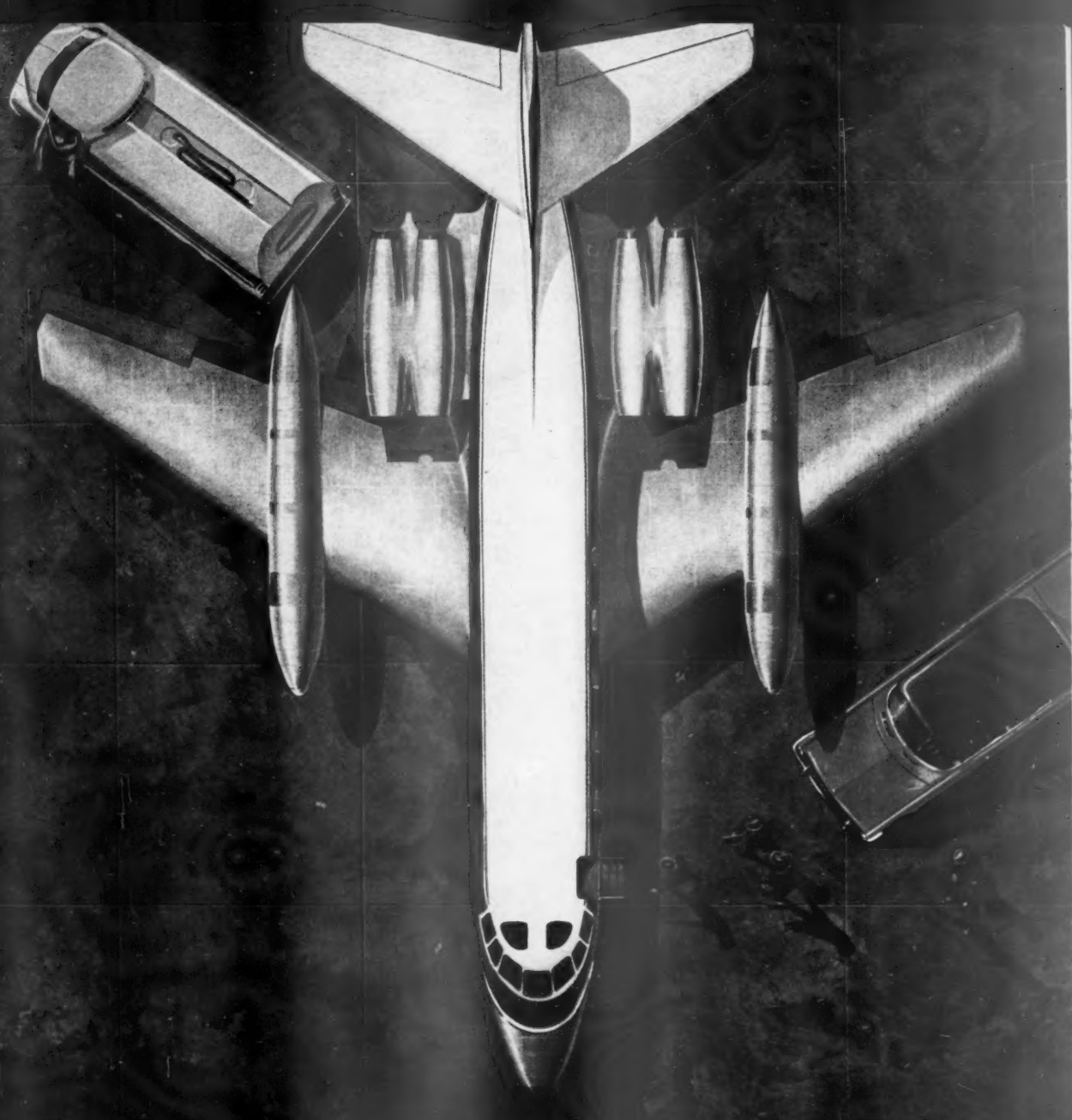
Softgoods sales so far this year have done ever so slightly better than hardgoods (though both have been able to gain because they are splitting a larger pool of retail dollars).

Nevertheless, hardgoods continue to get a good share of each dollar that goes across the retail counter: 32½¢ so far in 1960 against 32.8¢ last year.









## **New management tool: a corporate-size jetliner that can operate from 950 U.S. airports**

**For any business trip**—to a neighboring city...across the ocean...or around the world—the fastest, most efficient way for business leaders to go is in a Lockheed JetStar.

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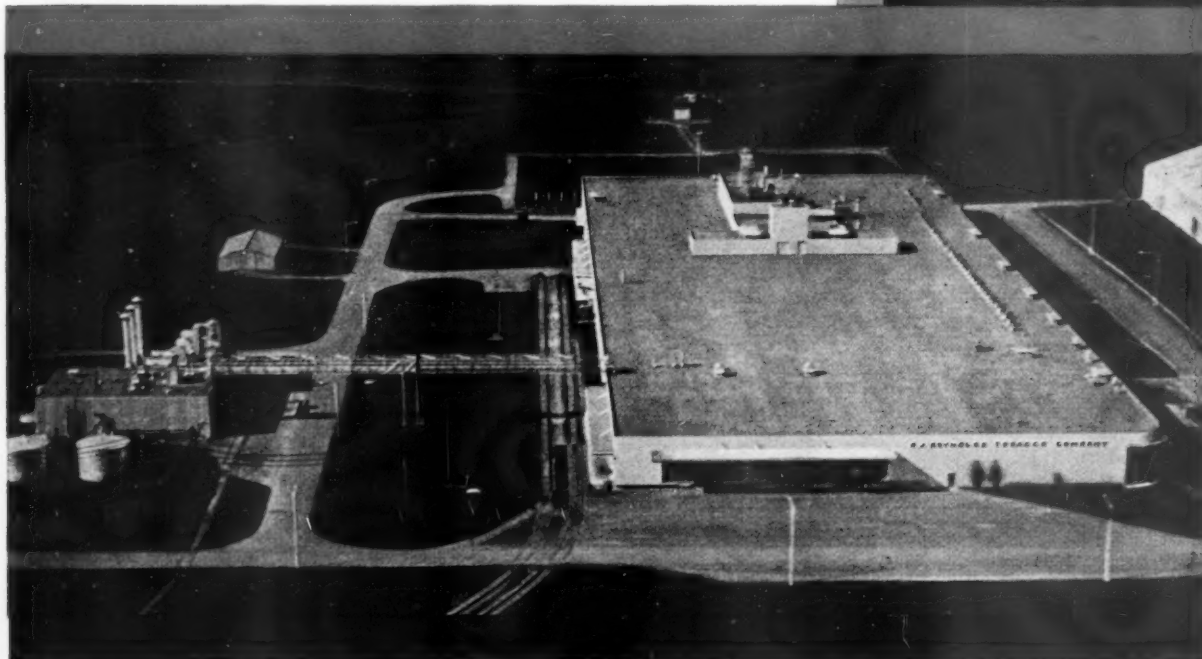
Stone & Webster Engineering Corporation recently completed the design and construction of a leaf processing plant at Lexington, Kentucky, for the R. J. Reynolds Tobacco Company for the receiving, stemming and repacking of tobacco.

Surface conditions indicated the possibility of caverns in the limestone bedrock underlying the stemmery building site and borings revealed their presence. The skill and experience of Stone & Webster engineers enabled them to solve the problem of providing a solid foundation without significant time loss or increased construction costs.

It is precisely this ability to meet and solve complicated engineering problems that leads to Stone & Webster being called back again and again by satisfied clients. At present, Stone & Webster is designing two new plants for R. J. Reynolds... at Brook Cove and Winston-Salem, North Carolina.

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# BUSINESS WEEK

APRIL 16, 1960

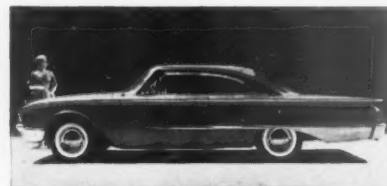
NUMBER 1598



**CHEVROLET:** Heading for one of its biggest years.



**CORVAIR:** Sales below target—but not hurting Chevy.



**FORD:** One-third behind 1959, could be year's disappointment.



**FALCON:** Runaway best seller of the compacts.



**RAMBLER:** Granddaddy of the compacts—far ahead of '59.



**PLYMOUTH:** Its potential boom was punctured by a Dart.



**VALIANT:** Late starter that may pass Corvair.



**DODGE DART:** The big surprise of 1960.



**LARK:** Poorest performer of the compacts.



**PONTIAC:** Proving that some bigger cars can improve in sales.



**CADILLAC:** There's always a customer for class.



**COMET:** Off in a flash.

## How 1960's Auto Lineup Is Doing

The present state and prospects of the automobile market are aptly illustrated by the photos and legends above. It has been a mixed year up to now, and that's not likely to change. On balance, it has been a good sales year—and could get considerably better. The big test is coming up.

Like some of the baseball teams

barnstorming through the South, the auto industry had a promising training season; its first-quarter sales were around 14% ahead of last year, and nearly 23% of total sales were of the compact cars. Now the "regular" season has opened; generally, the second quarter is the period of the year when most new cars are sold. Sometimes, as in

1955, the industry picks up enough momentum in the second quarter to carry over into the summer—the way a baseball team with a hot streak in July can all but lock up the pennant then and there.

• **Rare Showing**—Last week the industry totaled up an end-of-March sales performance that can only be described



as fantastic. Reading from one set of figures, the results show sales of new cars, domestic and imported, of at least 615,000 for the month (BW-Apr. 9'60, p19). In only 12 months in 10 years have sales gone above 600,000—the last time in 1955.

Since 575,000 of those cars were domestic-made, some Detroit auto executives have visions of sugar plums dancing in their heads. Chevrolet General Manager E. N. Cole, crowing over the highest first-quarter sales in Chevy's history, said: "They confirm our belief that . . . we will hold up our share of a 7-million passenger car market this year."

Ford Motor Co.'s marketing research manager, Robert J. Eggert, was more restrained in a Pittsburgh speech. Placing the first-quarter dealer deliveries, both domestic and imports, at 1.64-million, Eggert said this gives a seasonally adjusted annual rate of 6.7-million, including about 500,000 imports—about the same number always reckoned in GM estimates of the total market. That would put 1960 nearly 10% above the 6.1-million new cars sold in 1959. Stacked against a gross national product growing by 7% or so, that's a performance not to be sneered at.

• **Fat Deliveries**—In the last 10 selling days of March, dealers were delivering domestic-made cars at an astonishing rate of 26,000 every day. Detroit's optimists are not a whit dismayed that the first 10 days of April did not measure up to the blistering pace of late March. For one thing, there were two fewer selling days; for another, the first 10 days are always the slackest of the month. This month could still be better than last. This year could pick up more than 10%. The standard-size Ford could still make it a closer race with the standard Chevy. And sales in the fourth quarter could make all the forecasters look foolish.

There are signposts to what kind of a year it is and is likely to be; the trouble is that some of them are indistinct with age and you can't be sure you are reading them correctly.

## I. Signs Are Hard to Read

One of the most hallowed bits of auto lore is the "spring upturn." It was being hailed last week in the wake of the March sales—even though there hasn't been a true spring upturn for so long that no one is sure any more what it looks like. March sales of domestic cars were 26% above those of January. In 1955, the climb between those two months was 33%. In years since, it has been much less. In 1955, and generally before the war, sales increased by 50% or more from January to May. But since 1955 the increase usually has been in a range from 30% to 35%.

These days, though, there is no reason to believe that a spring upturn in autos should be any more dramatic than the spring pickup in other business. The faith in a sharp seasonal fluctuation in auto sales goes back to the days when cars were mainly pleasure vehicles.

Today, with automobiles a necessity in most cases, owners trade when the cars say so, not when the sun says so. In addition, the seasonal swing is lessened by fleet purchases on a regular schedule and by the increased population in the South and Southwest, where weather cuts little ice.

Not that weather doesn't affect car sales. In fact, the break in the late-winter weather was mainly responsible for the frenzied car buying in the last 10 days of March. So there should be some sort of sales increase in April and May this year, as there has been in most years. Throw out the "abnormal" years of 1955 and 1958, and figure on increases from January through June of up to 35%, and you'll come up with first-half sales of about 3.3-million.

• **Two Halves**—According to another familiar but fuzzy signpost, more than 50% of the year's sales come in the first half. First-half sales, it is often said, account for 52% to 58% of the year's total. Yet last year the first half barely managed to squeeze in 50%; an average covering most of the years in the 1950s shows second-half sales ahead by no more than a hair.

Anyway you want to use the relationship between the first and second halves, it will put you in the forecasting area occupied by most industry officials—from 6.1-million up to 6.7-million. The big imponderable is that you are dealing with people—several million of them—and their reactions to cars. The guidelines here are how the cars have been doing.

## II. Year to 'Sell Small'

This was supposed to be the year when the U.S. car buyer took some very definite stands: in favor of U.S. small cars as opposed to imports; against the so-called medium-price cars; in favor of compact cars instead of used cars; against unnecessary size, complexity, power, and price. What sets the auto man muttering to himself is that the buyer has not just spoken on one or some of these things—but on all of them.

For example, Chevrolet is doing very well even if you exclude the Corvair, and it got a healthy play in those final 10 days of March—bringing Chevy's sales for the month up to 150,000 standard-size cars plus 21,000 Corvairs. When you include the Corvair, as Chevrolet figures do, you come up with first-quarter sales of 439,000.

That would seem to put Cole's goal of 1.8-million car sales this year within reach. But Corvair may be a little under target. Chevy estimated the small, rear-engined car would take 20% of its sales; in the early months it was only 14%, but it is rising steadily and is expected to wind up with about 18% of total Chevrolet Div. car sales. Cole is happiest, perhaps, that Corvair seems to be right in line with the original marketing concept. Its sales represent plus business; it is such a different car that it isn't stealing from the regular Chevrolet line.

• **Ford's Twins**—Ford wishes it could say the same of the Falcon. For the first three months of last year, Ford car sales were 350,700. For the first quarter of this year, standard Ford sales were 246,000. But 109,000 Falcon deliveries managed to put Ford Div. ahead of its last year's position, just barely.

There is no question that the Falcon is a howling success. It is outselling the Rambler and is the best-selling small car. It gives Ford leadership in at least one category of cars. But the price has been heavy—a cut of nearly one-third in sales of the big Ford. How this affects Ford's profits will depend on several things:

- Whether Falcon sales will be sufficiently above planned volume to offset the lost sales of big Fords.

- Whether the bulk of the big Fords being sold are the high-profit Galaxies.

- Whether Ford can successfully reverse its field in promotion and, as the year progresses, get its big car sales moving on a par with those of Chevy.

Ford competitors gleefully assert that Ford kicked away a chance to make Falcon sales into plus business because it promoted the Falcon as an alternative to the big car. The "twins" theme used in early Ford advertising, rivals say, did the damage. Now they wait to see if Ford can recoup.

• **AMC at Top Speed**—The irrepressible president of American Motors, George Romney, says that Rambler can't compete in a production race with the Falcon. AMC is selling all the Ramblers it can make, Romney says. He knows Ford can outproduce him—so he can't see where he is in a race. Rambler sales dropped in February but bounced back in March to a new first-quarter high of 100,466. AMC is still pushing; it is the only manufacturer scheduling higher production in the second quarter than in the first.

In the Chrysler Corp. division named "Plymouth-De Soto-Valiant," the accent is on the wrong syllable. In March, Plymouth sales were 27,200; Valiant, 18,500, and De Soto, 2,850. For the first quarter, Plymouth is about 35,000 cars ahead of Valiant, all of which



could be wiped out in the second quarter; now more Valiants are being produced than Plymouths.

But the source of Plymouth's sales difficulty is not the Valiant. It is a car of the same size and price, marketed by the Dodge Div., called the Dart. It has pulled Dodge up to nearly 87,000 sales in the first quarter from around 31,000 for the same period last year. In March alone, Dodge outsold the first quarter of 1959.

• **Olds, Buick Down**—The curious complexion of the year shows up best, perhaps, in the General Motors lines. Cadillac retains its supremacy in the high-priced class and is slightly above last year in sales. Oldsmobile and Buick are falling behind last year's sales. But Pontiac, which cut a swath through the medium-priced field last year, is still moving well—about 5% ahead of last year.

If the year has one characteristic, it is probably illustrated by the bounding start of Lincoln-Mercury's Comet, the newest entry in the compact class. A month after introduction, the factory still is hardly keeping up with sales. So the distinguishing feature of this auto year apparently is "sell small." Beginning in the fourth quarter, the industry is going to bear down on this theme.

### III. Starting Early

One tactic the industry is planning will be early introductions of just about all cars. The industry is reviving the National Auto Show for Detroit's new exhibition hall. It will open Oct. 16, which means most of the new cars will be on sale for nearly all of the last quarter.

And there will be three new compacts from GM for the Buick, Olds, and Pontiac dealers, plus a new compact from Dodge and perhaps another from another Chrysler division. There will be some new kind of car from Lincoln-Mercury—plus normal appearance changes in existing cars.

That is what the industry calls "new model stimulus," and it is always one of the factors that must be present for a good start on model-year sales.

There is one dark edge to that nice pink cloud. Early this month, new cars in dealers' hands totaled about 1-million—higher than at any time before. Ward's Automotive Report's says the industry is projecting second-quarter production at 1.7-million cars. Sales may not be too much higher than that; so the industry will enter the third—or changeover—quarter still with 800,000 or more new cars in stock. Production of 1960 models will have to be chopped off early—probably in August—to give dealers time to unload the 1960 models.



MEDICAL AID FOR AGED is urged by labor, Pres. James B. Carey of International Union of Electrical Workers testifies at Senate subcommittee. Suddenly this aid is . . .

## A Hot Election-Year Issue

Congress woke up to the conclusion this week that its members probably will have to take sides on a medical aid program for the aged this election year. The one really big question: Should the program be paid for by employers and employees through an increase in Social Security payroll taxes, or should it be paid for out of general Treasury funds that would require no direct immediate tax increase?

There are some lingering doubts that Congress can settle its differences and agree on a course of action before the July Presidential nominating conventions. But these doubts are fast being dispelled as the lawmakers begin reacting to rising political pressures.

• **Ways To Do It**—There are signs of compromise budding in both parties, and a shift away from rigid positions:

• The Democratic leaders in Congress have moved in to try to take charge and work out some modest beginnings on medical care for the elderly. Such a program probably would be limited to nursing and hospitalization costs and a few other benefits. Speaker Sam Rayburn and influential Democrats on the House Ways & Means Committee lean toward raising Social Security benefits for this purpose.

• Secy. Arthur S. Flemming of the Dept. of Health, Education & Welfare continues to press for his own brand of federal medical aid. He called in representatives of insurance companies, labor unions, and the American Medical Assn. for their opinions. Heartened by fresh support from Vice-Pres. Nixon, Flemming hopes to have another try at winning Pres. Eisenhower's approval.

• A group of eight Republican

senators jumped the gun on Flemming and introduced their own somewhat more costly plan. Both Flemming and the GOP senators would finance their programs out of general Treasury revenues in participation with the states and beneficiaries, and not through Social Security as Eisenhower insists.

• Sen. Pat McNamara (D-Mich.), chairman of a subcommittee on the problems of the aging, has wound up more than a year of hearings on the subject of medical aid. He proposes hospital care, nursing, diagnostic and preventive services, and perhaps some subsidy for purchase of geriatric drugs.

McNamara's plan would be financed by a ½% increase in Social Security payroll taxes from the employer and an equal amount from the employee.

• **Still Groggy**—The subject of medical care for the aged has blossomed quickly as an election-year issue. Neither the Administration nor Democratic Congressional leaders had expected intense public emotions.

"Members still are a little groggy about it all," says one Democrat. "They still don't know quite what hit them."

What hit them was an intensive pressure campaign by the AFL-CIO and elderly groups, and a mail blitz calling for action. All announced Presidential candidates eagerly hitched it to their campaigns as a vote-getting device.

• **Conservative View**—The American Medical Assn., insurance companies, and business groups are still publicly waging a fight against any form of government-paid medical aid. Privately, some are pinning their hopes only on trying to limit the amount.

Last week, conservative members of

the House Ways & Means Committee toyed with the idea of including some narrow coverage in a general social security bill. But they rejected the idea, fearing that it wouldn't satisfy the temper of Congress.

A few days earlier, the committee turned down a bill near the other extreme—a bill sponsored by Rep. Aime Forand (D-R.I.). Forand's measure would cover all Social Security recipients with extensive medical and surgical benefits. Insurance companies would be excluded from participating.

"Both ends have been sawed off now," says one strategically placed Democrat. "What we're looking for is something in between."

• **Rayburn Pressing**—The Ways & Means group held up approving any Social Security bill for the time being, because no agreement could be reached on the aid question. Speaker Rayburn, however, has ordered the committee to explore the matter further for two to three weeks.

Rayburn and Senate Democratic leader Lyndon Johnson, the unannounced Presidential aspirant, have agreed that a medical care program should be passed and that it should come from the House side first. If the House doesn't act, there would certainly be a strong move by the Demo-

cratic Presidential candidates in the Senate to attach the Forand bill to a Social Security measure or any other convenient piece of legislation.

• **Favored Route**—Rayburn and key committee Democrats are inclined to favor working any program through the Social Security system.

Their biggest objection to the plan of federal grants is that the committee would lose control of the financing.

"We want to look beyond 1960 to the years ahead," says one spokesman in behalf of this group. "As amendments are likely to be made to the program in the future, this could result in a costly program of monstrous proportions that would make the Townsend Plan look like peanuts."

But officials close to Rayburn emphasize that no final decision has been made. Opposition to compulsory coverage of everyone under Social Security is strong. The Republican-sponsored bill embodying voluntary coverage—only those who wanted it would apply—would attract all Republican votes plus a lot of Democratic support.

"The situation is still very much up in the air as to what we might eventually come up with," says one Democrat. One thing that probably would be dropped from any medical aid plan this year is surgical benefits.

## Baldwin-Lima Wins Bid Dispute

General Accounting Office rules in its favor on contract for turbines under the Buy-American rules.

A legal fight over applying the Buy-American law to a \$6.4-million government contract for hydro-turbines has been settled in behalf of the domestic bidder, Baldwin-Lima-Hamilton Corp.

When the bids were opened last year by Interior Dept.'s Bureau of Reclamation, Britain's English Electric, Ltd., was the low bidder (\$6,214,552) for the eight turbines for the Glen Canyon Dam, now being built on the upper Colorado River in Arizona.

However, adding 6% to English Electric's bid—the minimum advantage allowed under present Buy-American regulations—makes the company's adjusted bid higher than Baldwin-Lima's. But before the contract was awarded, English Electric protested that actually Baldwin-Lima was buying more than half of its components for the turbines in Belgium and thus, for the purpose of the bid, should not be considered a U.S. company.

• **Matter of Percentage**—Baldwin-Lima specified in its bid form that it would subcontract 42.7% from foreign sources. English Electric challenged this figure, saying that if Baldwin-Lima had followed the bid form required by the

Bureau of Reclamation, the calculation would show that 55% of Baldwin-Lima's work on the turbines would be done abroad. Baldwin admitted that it hadn't followed Reclamation's form, but said the form was in error.

• **GAO Decision**—The battle lines quickly spread from the Denver office of Reclamation, where bids were opened last December, to the Interior Dept. in Washington. In January, the matter was dumped in the lap of the General Accounting Office.

Since January, the Reclamation Bureau has delayed award of the contract and has held up similar contracts, including one for three 50,000-hp. hydro-turbines at Flaming Gorge Dam, Utah.

GAO ruled that failure to follow an erroneous provision in the invitation did not disqualify Baldwin-Lima as a bidder. The office noted that this provision didn't relate to the type or quality of equipment it would accept—it was a technical question that wouldn't change design or specification of products.

Now that GAO has ruled, the Baldwin-Lima bid is in a position to qualify as lowest, and an award is expected shortly from Reclamation.

## More Jobless

Unexpected increase in unemployment in March is blamed on bad weather, not on state of economy.

The Administration this week was busy trying to figure out what went wrong with employment in March. The March showing was in contrast to February when employment rose, against the normal seasonal expectation, by half a million and unemployment dropped 250,000. This performance was hailed then by top Administration officers as a sign that the expected spring business upturn had arrived early.

But in March the employment figures swung sharply to the other extreme: Unemployment, instead of dropping by an expected 175,000, climbed by 275,000 to a total of 4.2-million. The unemployment rate jumped from 4.8% in February to 5.4% in March. And employment declined by 253,000, with the number of jobholders down to 64.3-million.

• **Official Explanation**—The figures unquestionably are disturbing (page 19), but the Labor Dept. proposed an explanation for the topsy-turvy showings. Officials blamed the vagaries of the weather. They pointed out that when the employment survey was taken in mid-February the weather was generally mild and employment, especially of the outdoor type, had picked up. But a month later the country was suffering under some of the worst snowstorms of the winter.

The Labor Dept.'s employment report noted that unemployment showed up principally in three industry groups, all of which normally begin to show a pronounced employment increase in March: construction, agriculture, and trade.

• **Still Optimistic**—"If the weather had been normal in March, we would have gotten a normal decline in unemployment," says Dr. Seymour Wolfbein, Deputy Assistant Labor Secretary for Manpower. He rejects the idea that the March figures showed anything basically wrong with the underlying economy or that an early recession might be brewing. He adds: "I wouldn't be at all surprised if we wouldn't get in April a pretty sharp rebound from the March figures."

As one encouraging sign, the Labor Dept. points to the fact that the number of people drawing unemployment compensation from the states dropped sharply from mid-March to the end of the month, declining 120,000 in all. This more than made up the 100,000 increase for the whole month from mid-February to mid-March.



MISSISSIPPI flood waters cause extensive damage to farmland in Missouri, stop just short of the business district of Hannibal.



MISSOURI on the rampage blocks U. S. highway near Boonville, Mo. Roadside businesses are almost washed out by high waters.



PLATTE River inundates thousands of acres in the Platte Valley, swirls around fences about three miles from North Bend, Neb.



CONNECTICUT River's swollen tributaries close factory near Middletown. Canoe skims over what normally is Route 6A.

## Flood Controls Cut Damage Toll

This spring's floods demonstrated that it now takes a vast amount of water to cause devastation. At first glance, the pictures above may look like scenes from previous spring floods. But there is a difference: Flood controls have been built in the wake of past disasters.

Such damage as there was took place largely in small communities and farms. They were situated either behind levees that broke or on tributaries that have not been equipped with dams and levees such as those that have been built on the main streams of the great rivers.

Quick changes in the weather caused the floods. First came several snowstorms, piling up snow as far south as the Gulf Coast. Then the wind shifted suddenly, and brought up warm air that melted the snow too fast.

• **Hard Hit**—The most extensive flooding occurred in the Midwest, in both the Missouri and upper Mississippi basins. At one time, the Corps of Engineers counted 21 major tributaries of the Missouri—as well as the Missouri itself—at flood peak in Kansas, Missouri, Iowa, Nebraska, Montana, and the Dakotas. Most of these tributaries

have caused worse floods in the past, but officials could not remember so many of them flooding simultaneously.

The American Red Cross reported that 28,000 persons were homeless in the region, and in Iowa an 18-year-old boy drowned when his boat overturned as he was helping a friend.

• **First Test**—On the main stem of the Missouri, the floods provided the first test for the Army Engineers' new dams. The dams acquitted themselves well. Lt. Gen. Emerson C. Itschner, chief of Engineers, estimated that the dams prevented at least \$40-million worth of damage in the Omaha-Council Bluffs area alone.

On the Mississippi, damage was confined to the Hannibal-Quincy-Meyer stretch north of St. Louis. There, the water crested between 25 and 30 ft.—as high as the record floods of 1947. But below this stretch, levees were able to handle the crest.

The picture was the same in New England and upstate New York, as the Connecticut, Merrimack, Susquehanna, Mohawk, and Hudson Rivers topped flood stage. Hartford was protected by

its 40-ft. dikes, but elsewhere in central Connecticut 100 families had to be evacuated and several small plants closed temporarily. Here, too, Engineers' dams built since 1955's hurricanes were credited with holding down the damage. Along the Merrimack in New Hampshire and Massachusetts, plants also had to close briefly when their cellars flooded; and cows and airplanes had to be moved to higher ground. In New York, the Susquehanna flooded a few blocks of downtown Oneonta. The lot of a drive-in theater in Menands was under water, and a shirt factory in Troy had to close.

In the Southeast, the floods came earlier and struck harder. Intense rains over a 14-county belt across central Florida—taking in Tampa and Orlando—caused an estimated \$19.7-million worth of damage, according to the Army Engineers, and flooded 886,000 acres. The flooding was "of unusual severity," the Engineers said, and can be expected only once in 20 years. By this week, however, 95% of the evacuated 2,000 families were already back in their homes.



# How the Defense Budget Shuffle

## These military programs are up

CONTRACTORS AFFECTED	CHANGES MADE
<b>POLARIS SUBMARINE</b>	
Reactor builders to be selected in bidding	<b>\$153-million added to buy reactors for six more vessels</b>
<b>ATLAS ICBM</b>	
Construction contractors to be selected in bidding; Convair, Arma, NAA, GE, others	<b>\$226-million added to deliver 148 (instead of 130) missiles by 1963</b>
<b>MODERNIZATION OF FIGHTER-INTERCEPTOR PLANES</b>	
Hughes Aircraft and others	<b>\$151.2-million added to modernize existing F-101B, F-102, and F-106 aircraft</b>
<b>MINUTEMAN ICBM</b>	
Boeing, ACF Industries, American Machine & Foundry	<b>\$27-million added to \$449.1-million R&amp;D budget for production facilities expansion and increased work on mobile launching plan</b>
<b>BMEWS RADAR SITES</b>	
RCA, Western Electric, and construction contractors	<b>\$42.5-million added to \$364.4-million procurement &amp; construction budget to rush work on Alaska and British sites</b>
<b>AIR FORCE SATELLITES</b>	
Lockheed and others	<b>\$61.4-million added to \$631.9-million R&amp;D budget to rush work on Midas and Samos development and extra test firings on Discoverer experimental project</b>
<b>AIRCRAFT WARNING RADAR</b>	
	<b>\$16.7-million added to \$225.9-million procurement budget to offset cost increases and make up for production delays</b>

## These military projects are cut down

<b>BOMARC B ANTI-BOMBER MISSILE</b>	
Boeing, Westinghouse, Marquardt	<b>\$381.1-million cut from \$421.5-million budget to reduce from 16 to eight squadrons</b>
<b>SAGE ANTI-BOMBER CONTROL SYSTEM</b>	
IBM, AT&T, Bendix, Hazeltine, Burroughs, and others; construction contractors to be selected	<b>\$274.2-million cut from \$515.4-million procurement and construction budget; eight underground sites killed</b>
<b>ANTISUBMARINE SUBMARINES</b>	
Shipbuilders and other contractors to be selected	<b>\$114-million cut for construction of two subs for antisubmarine operations</b>

Last major change in the present Administration moves \$700-million worth of military business around.

The companies that thrive or wither on the vine of military contracting have seen their last major reshuffling of the annual \$17-billion worth of business before a new Administration takes over.

Eisenhower has rejiggered about \$700-million worth of orders (table), taking from some programs and giving to others. The pattern of put and take doesn't favor any single strategic theory of offense or defense over any other.

Essentially, the President and his Secretary of Defense, Thomas Gates, have tried to alter spending plans in keeping with their changing evaluation of the Soviet threat—and at the same time to answer those critics (in the services and in Congress) who keep charging that the Administration is not spending enough on the right things.

• **Holding the Line**—For the most part, the reshuffling involves the appropriation requests for fiscal 1961, starting July 1, which went to Congress just three months ago. It also covers some contracting plans for fiscal 1960.

The key to the Administration's revamped plan is that net expenditures will not be increased—Washington's estimate of \$41-billion total military outlay for next year still stands. Indeed, there's a net decrease of close to \$100-million on the Pentagon's books in terms of "obligational authority."

• **Atlas and Polaris**—This obvious preoccupation with spending ceilings will probably offset any political gains the White House might have expected from stepping up the Atlas and Polaris programs as it did.

To be sure, defense officials are going out of their way to deny that the two programs were increased because of political or military pressures.

Asked a few weeks ago by Rep. George Mahon (D-Tex.), chairman of the House Defense Appropriations subcommittee, why the changes came so soon after the budget's submission to Congress, Gen. Thomas White, the Air Force's chief of staff, had this to say:

"The No. 1 point to make is that the technology and the enemy threat are constantly changing. I think it is fair to state it takes time, maybe too much time, for some of the implications to seep into all the brains that have to work on these things."

• **Subject to Review**—The defense budget plans, of course, are still subject to change. Mahon's committee has yet to vote on a bill. Then, the entire House



# e-Ends Up

gets a chance to boost or cut projects. So do the Senate Appropriations Committee and the Senate as a whole.

Finally, the Pentagon itself can revise spending plans in the fall in the course of the "apportionment" process.

## I. What Congress Wants

As the defense debate now shapes up, the odds are that Congress will vote at least \$1-billion more than Eisenhower asked. In the past, the Eisenhower Administration has dragged its feet on the expenditure of extra defense funds voted by Congress, and it may well do so again.

But this time the decision on whether to spend the fiscal 1961 military funds will rest with the next Administration. A Democratic Administration would be committed to accelerating military outlays. And most Washington observers feel that a Republican Administration headed by Richard Nixon would feel the same.

- **Optional Extras**—From the tone of Congressional deliberating over the military appropriation bill, the prospects are that extra money—above and beyond what the Administration has just planned—will be voted.

- To reinstate the two attack submarines cut out of the latest budget.

- To build additional Polaris subs and the missiles for them.

- To reinstate much of the development work on the Mach-3 B-70 manned bomber.

- To buy more troop planes.

- To increase preparations for an airborne bomber alert.

- **Political Folder**—Many Republican political strategists believe the steam has gone out of the defense question as an issue in the upcoming national elections.

This week, this theory was supported by a new Gallup poll which shows that only about one out of five voters queried thinks the Administration is not spending enough for defense. Indeed, just as many said they thought "too much" was being earmarked for military expenditures.

Nevertheless, some Administration officials still fret over the widely advertised charges of U.S. military inadequacy by Democratic Presidential aspirants. To counter the Democratic critics, they have worked up a 17-page document for circulation among 600 Republicans and "opinion leaders."

- **Reassuring**—The paper was put together by Oliver M. Gale, onetime public relations director of Procter & Gamble who came to the Pentagon with former Defense Secy. Neil H. Mc-

Elroy and has remained as special assistant to Defense Secy. Gates.

It spells out in great detail the details, weapon by weapon, of U.S. military strength, the theorizing behind the so-called "missile gap," and the Pentagon's latest strategy. It comes up with the conclusion that "our strength is clearly superior today to that of the Soviets." It dismisses all talk of a missile gap with the confident claim that "at no time in the foreseeable future will the Soviets be able to launch an attack upon us without receiving in return a blow of unbearable proportion" (BW—Feb.13'60,p27).

## II. What the Brass Wants

In Congress, the critics are already vocal about the latest reshuffle.

They say: "Too little and too late." They know the new program shifts represent only a small part of what the military brass would like to tack on the

Administration's \$41-billion budget for fiscal 1961.

As the political furor over defense heightened early this winter, soon after the new budget's completion, the Pentagon asked the services to reappraise their shopping lists:

- The Air Force proposed that the Atlas ICBM force be expanded from the scheduled 130 missiles to 220; it now gets 148.

- The Navy asked for six additional complete Polaris submarines at \$100-million each; it now gets authority only to order six extra reactors.

- Prodded by the Army, the Air Force asked the \$107-million extra for the latest troop-carrier planes; it was turned down.

- The Air Force was granted the \$20.7-million it wanted to double the Minuteman ICBM development program; it was turned down on \$16-million for research on super rocket boosters.

# Companies Split in Price Case

Two plead guilty in key switchgear case—one of series of electrical equipment antitrust indictments; seven others follow GE and Westinghouse in not guilty pleas.

Allis-Chalmers Mfg. Co., I-T-E Circuit Breaker Co., and three A-C employees have pleaded guilty to government charges that they illegally conspired with others to fix prices of electrical power equipment and secretly allot government business among themselves.

With seven other companies, they appeared in U.S. District Court in Philadelphia last week to enter new pleas in a series of criminal indictments charging members of the electrical equipment industry with violations of the Sherman Act. Earlier pleas of nolo contendere, or no contest—which would have allowed the companies and individuals to be sentenced without admitting guilt—had been turned down by Judge J. Cullen Gancy (BW—Apr.2'60,p32).

Allis-Chalmers was the first defendant to be called, followed quickly by I-T-E and the three A-C employees. Their lawyers' clipped, loud statements—"guilty"—created some stir of surprise in the courtroom, and made the subsequent pleas of the other seven companies anticlimactic. The other defendants followed the lead of the five companies—including the industry giants, General Electric Co. and Westinghouse Electric Corp.—which had earlier pleaded not guilty. Fifteen employees of the two major companies had also previously pleaded not guilty. I-T-E Circuit Breaker pleaded not

guilty in four other cases in which it was named.

- **Key Case**—The case in which I-T-E, A-C, and the three A-C employees all admitted guilt is the keystone case and the first of the seven indictments handed down in February by a federal grand jury. It concerns power switchgear assemblies, and involves the most annual sales—approximately \$125-million, according to the Justice Dept., out of the annual \$265-million involved in the seven indictments.

The switchgear case is also the only one in which the charges go beyond end product price-fixing; they include allegations—now admitted by I-T-E and Allis-Chalmers—that the defendant companies conspired "to refrain from selling certain types of power switchgear assemblies or components thereof to other manufacturers of electrical equipment."

According to the government, the Atomic Energy Commission, the Tennessee Valley Authority, the Interior Dept., and the Army, Navy, and Air Force all bought switchgear assemblies from the defendant companies by sealed bid during the life of the price-fixing agreement—in effect "since at least January, 1956." The indictments say that the percentages allotted to the various companies under the agreements varied slightly over time, but that the two companies pleading guilty shared about 20% of the local, state, and fed-

eral government business in switchgears obtained by the group.

Allis-Chalmers and one of its employees also pleaded guilty in the case involving circuit breakers, the only other case in which the company was named a defendant.

- **Timetable**—Sentencing on the guilty pleas will come "fairly soon," but Judge Ganey indicated the trials of those pleading not guilty would not begin until September—the government had asked a June start. Maximum penalty is \$50,000 and a year in jail.

Unlike the nolo contendere pleas turned down by the court, the guilty pleas might be of benefit to potential claimants suing for damages. But in order to collect—actual losses for the government, triple damages for private utility buyers—the claimant must prove that the price of purchased equipment was actually higher because a price conspiracy existed. This is often difficult.

- **Explicit**—The guilty pleas are expected to provide more psychological aid than additional courtroom ammunition for the Antitrust Div. in the forthcoming trials. The government could probably subpoena now the three individuals who pleaded guilty, but the word is that it has no shortage of willing witnesses.

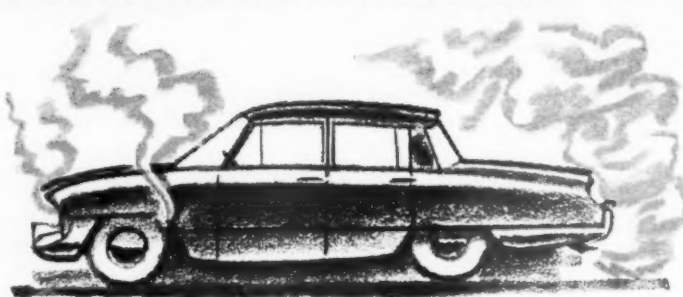
Observers believe this is so because of the unusual explicitness of the indictments. Instead of the circumstantial evidence and "inference of conspiracy" common in price-fixing cases, the indictments list dates and places of meetings, and specific details of the agreements charged.

- **Defense**—As the Westinghouse and GE defense seems to be shaping up, the companies may claim that if the alleged agreements did take place, employees making them acted on their own in violation of company policy, and the companies are not guilty.

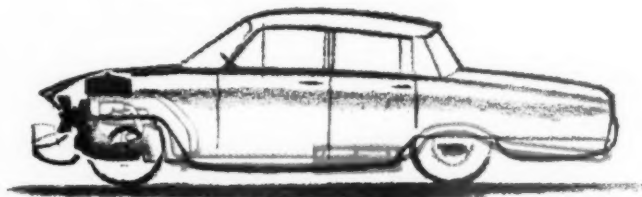
GE Chmn. Ralph J. Cordiner announced in January, before the indictments, that GE had demoted several executives because "they had been party to discussion of prices with their competitors" in violation of law and GE Directive Policy 20.5. The same thread of argument runs through petitions for bills of particulars filed last week by GE and Westinghouse lawyers asking more details on the dates, places, and individuals involved in the alleged price-fixing. They said this information was necessary to prepare their defense, because any such activity by employees was unauthorized, even forbidden.

The Westinghouse petition said "no Westinghouse employee is authorized to participate in any joint activity with competition which reflects upon prices or markets." GE said it has explicit evidence it "did not authorize such conduct but in fact forbade it, if indeed such conduct occurred."

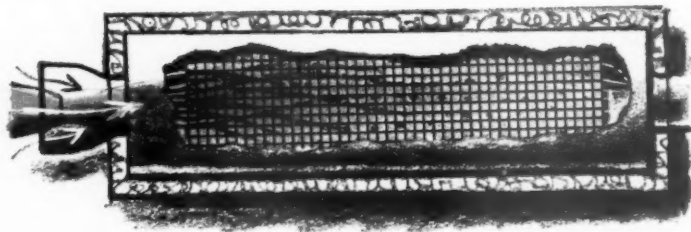
## AIR POLLUTION comes from both ends—



**15% to 50% from crankcase  
and fuel system, 50% to 85% from exhaust.**



**Sealing fuel system and recycling crankcase gasses eliminate front end pollution, special afterburners clear up exhaust. Total effect is a 90 to 95% reduction in pollution products.**



**Catalytic afterburners mix air with exhaust and feed it through a bed of catalytic chemicals that converts hydrocarbons to harmless CO<sub>2</sub> and water.**



**Afterburners add air and ignite the mixture to complete combustion, eliminate carbon monoxide and unburned fuel. Most afterburners preheat exhaust gasses in heat exchanger that also serves as muffler.**

# How Smog Killers Eat Up Auto Fumes

By passing a law that will require millions of motorists to install anti-smog devices on their automobiles, the California legislature last week (BW-Apr. 9 '60, p. 32) gave a go-ahead signal that scores of manufacturers have been waiting for.

Projects to develop exhaust purifiers, along the general lines sketched in the drawings to the left, are skipping out of the back rooms by the dozens and hopping into top priority slots in engineering schedules. Already some leading contenders are coming into sight with products in various stages of development—among them Thompson Ramo Wooldridge, Inc., with Chrysler Corp., Universal Oil Products Co., Stewart-Warner Corp., and Oxy-Catalyst, Inc., at Wayne, Pa., working in conjunction with General Motors.

The immediate goal of the rush: to win a stamp of approval from the California Dept. of Public Health and get an edge in a legislated market that could mean millions of dollars in sales—both in filling orders for equipping new cars, and in supplying the cars now on the road in the highly motorized state of California.

Beyond that are wider possibilities. On the heels of the California legislation, for example, the city of Philadelphia created a three-man board to find out how much auto exhausts contribute to that city's occasionally smoggy atmosphere.

• **Wide Open**—The race to be first with smog preventers for automobiles is wide open. Both automobile manufacturers and their suppliers have known since last December the requirements that exhaust purification systems will have to meet in California. But they couldn't be sure that the legislature would pass a law with real teeth in it, making the smog killers mandatory.

Now that has happened. And the first two manufacturers who come up with exhaust purification devices that cut 90% of the unburned hydrocarbons and carbon monoxide out of auto exhausts will start the law's teeth snapping. One year after the state's Motor Vehicle Pollution Control Board approves two or more such devices, all new cars and all used cars transferred in ownership will have to be equipped.

• **Competing Types**—So the big question for Californians—and in time, undoubtedly, for motorists in other smog-afflicted spots—is this: What will the cars be equipped with? What will the new smog killers be like?

The two lower drawings in the diagram at the left show the two different types of exhaust purifiers that are under development. And it looks as if either will meet California standards.

The system known as the catalytic method works by passing hot exhaust gasses through a filter-like bed of chemical catalyst that encourages the complete oxidation of unburned hydrocarbons and carbon monoxide.

The other system—called simply afterburning—does the same job by burning the exhaust at high temperature in a reaction chamber (bottom drawing).

Neither system is the property of any one company, and many are working on both types of devices. Ford, Chrysler, and General Motors are each working with various devices and suppliers.

• **Out of the Running**—The Automobile Manufacturers Assn. coordinated one program of anti-smog work—a small one—that resulted in an inexpensive technique to cut down the hydrocarbon emissions from the engine itself by feeding crankcase vapors back into the intake system. But while some 1961 cars will be equipped with this device, it does not even come close to meeting California's exhaust purification law.

In fact, the program produced a backfire when the AMA announced the system as a solution to Los Angeles' smog problem. The association claimed it would eliminate up to 50% of the undesirable air pollutants.

However, the Los Angeles County Air Pollution Control District reacted with a loud bang. It retorted that the auto makers were deliberately dodging the main issue, pollution from exhausts. The district contends this is responsible for 85% or more of air pollution contributed by cars.

• **Contenders**—The California legislature, in setting up the regulations, acted largely on the recommendations of the Smith Griswold, commissioner of the Los Angeles control district. Griswold, who has undoubtedly examined more anti-smog ideas from devices than anyone else in the business, believes both catalytic and afterburner types will be able to pass muster.

Both types are coming along. Thompson Ramo Wooldridge and Chrysler are already well along in designing afterburner systems. Stewart-Warner Corp. is testing an afterburner-type reactor. It also has in production for a major truck manufacturer an oil breather bypass system for feeding crankcase fumes back into the intake

system. Oxy-Catalyst, Inc., has a catalytic reactor project in conjunction with GM. Universal Oil Products has shown a banjo-shaped catalytic reactor.

• **How They Stack Up**—It is still too early to say which type will come out ahead. Catalytic devices usually operate at lower temperatures than afterburners, but may suffer competitively because the catalyst has to be renewed periodically. UOP and Oxy-Catalyst say the better catalysts will hold up for about 15,000 miles.

The afterburner devices are somewhat more complex and may be harder to make; since they must contain a very high temperature reaction—up to 1,700F or 2,000F in some cases—they would have to be made of good quality stainless steel. Once installed, though, an afterburner should last as long as the car, since it has no moving parts other than those in the air injection pump it might require, and no catalyst to wear out.

At present prices, renewal of chemicals in the catalytic type would cost \$30 to \$40. Cost of the entire system for either type is still extremely vague, with widely varying guesses. Auto makers talk moodily about an increase in cost per car of as much as \$150; suppliers claim the devices should not cost more than \$50 above that of a standard muffler system.

• **Market Prospects**—Smog preventers may even start appearing on new cars before one gets California approval. There are rumors that Chrysler may make afterburners an option on 1961 models if the device passes the tests unofficially. This would give the car higher resale value in California, where a new owner might have to equip it under the law; and it might make a hit with fleet buyers, particularly the Los Angeles county and municipal agencies.

Though few other cities have as severe a smog problem as Los Angeles, the U.S. Public Health Service says unofficially that the Chicago, Buffalo, and New York areas have major auto exhaust problems. The Philadelphia Health Dept. blames exhausts for staining buildings.

For manufacturers, there's a wider market opening up beyond the exhaust purifiers themselves—in the big demand that will develop for testing equipment. Beckman Instruments, Inc., has already started to promote a gas analyzer for testing air pollution levels, and several instrument makers are readying devices to analyze auto exhaust gases.

It's still not completely clear how California will enforce the law—the state has as yet no automobile inspection system. Presumably one would have to be set up at least in smogbound areas—and this might require millions of dollars worth of sensitive testing equipment.



# Titan to Dwell in Buried Bases



**LAUNCHING COMPLEX** under way near Denver has three Titan silos (foreground), flanked by smaller silos, and igloo-type buildings (top center) for power and controls.



**AT CLOSE RANGE**, silos for missiles show up in center of groups of three. Smaller silos at sides will hold fuel and equipment. Project will be finished in June, 1961.

Launching facilities are already under construction at three sites for the Titan, due to be operational in 1961.

Crews are digging into the plains east of Denver, at Lowry Air Force Base, to construct the nation's first operational launching site for the Titan intercontinental ballistic missile (pictures). By completion, in June, 1961, tons of earth will cover the entire layout for protection against attack, and the site will look much as it did before work began.

But that appearance will be deceptive. Within the underground complex will be two Titan squadrons, each with nine missiles tucked into silos and a tenth missile in reserve. Work on similar launching complexes has already started at Rapid City, S. D., and Mountain Home, Idaho, and others are planned at Moses Lake, Wash., and Marysville, Calif.

Actually, the first "in-place" Titan is scheduled for delivery to Vandenberg Air Force Base, Calif., by yearend. If necessary, it could be fired, but it—and others to follow—will primarily be used to train crews for the Denver installation. A non-flying Titan is already at Vandenberg for tests of ground support gear and other equipment.

• **Looking-Up**—The hard-luck Titan, second of the U.S. ICBMs to be built, has suffered through heavy criticism in Congress and elsewhere, but now seems well on the way to success. All its development problems haven't yet been solved; its design embodies several major innovations, any one of which could cause trouble in full 9,000-mile launchings. But it has acquitted itself well in recent tests, much to the satisfaction of engineers for Martin Co., the Titan's prime contractor.

In its most recent test firing from Cape Canaveral, the 100-ton Titan streaked more than 5,000 miles down the Atlantic Missile Test Range. Its second-stage engine—the largest and most powerful second-stage engine ever ignited aloft by the U.S.—fired precisely as planned. In one previous test, Martin engineers managed to ignite the second stage while it was airborne. But that time the second-stage tanks had been almost empty; in the recent try, the tanks were reported full.

In returning to the earth's atmosphere, the Titan's nose cone stood up well to the 12,000F re-entry temperature. Its radio-inertial guidance system, developed by Bell and Remington Rand, operated well within specified





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tolerances, and the first and second stages separated without a flaw.

- **Improved Version**—All this cheering news might well make Martin executives content. But persistent rumors in the missile industry indicate that they may be sitting on even more significant news about a much-improved model of the same weapon, Titan II.

The Air Force has never officially acknowledged that Titan II is being developed. But such a missile has been referred to indirectly in Congressional testimony and discussed within the trade for months. Progress has reportedly been so impressive that Titan II has been slated for use at eight of the fourteen planned Titan bases.

- **Features**—The talk is that Titan II's

prowess will make it much more effective than the present Titan as a military deterrent. For example, it will use a storable liquid fuel that can be left inside the rocket for long periods. Conventional rockets now use fuels like kerosene and oxygen, which must be pumped in just before launching. Titan II won't need Titan I's weighty fuel pump system; its fuels will ignite spontaneously on contact. It won't require Titan I's complicated fuel tank cooling system, either, since it won't use super-cooled oxygen.

The new version's guidance system will be entirely inertial, unlike Titan I's, which is radio-inertial, with some flight data supplied by computers on the ground.

would acquire the additional warrants—and as many of the debentures as necessary. At some future date, it might then enlarge its holdings of TWA common on favorable terms. If the plan works smoothly, Hughes will come out with no reduction in the percentage of TWA common that he controls—and perhaps with even a bigger share.

- **Capital's Ills**—Just as TWA's worries seemed to be lessening, Capital Airlines' ailments took a turn for the worse.

Capital lost \$1.7-million in 1959 and almost another \$4-million in January and February, and it has been behind in payments for the 60 Viscount turboprops delivered to it in 1955-57 by Britain's Vickers, Ltd. Recently it had to forego planned purchases of Electra turboprop and Convair 880 planes.

Last fall, it arranged a tentative solution—a refinancing program that would have included a new equity issue, short- and long-term loans from big U.S. banks and insurance companies, and a stretchout of the Vickers debt, which is held in the form of notes by British investors. But this scheme fizzled during the winter when the proposed new lenders backed away.

Then Capital, which had been off federal subsidy since 1951, applied to CAB for an immediate grant of 22.5¢ a mile or \$12.9-million. Last week, CAB refused to give the subsidy at once and ordered a full-dress hearing, noting that Capital would be competing with unsubsidized lines and that its financing and equipment programs need looking into. This puts the decision months away.

- **Cash Demanded**—These two factors—collapse of the proposed refinancing and CAB's denial of immediate subsidy—apparently were too much for Capital's British note holders to take quietly. This week, Capital was almost \$12-million behind in payments on the \$33.8-million it still owed them, but, according to the terms of the Viscount deal, it would not be legally in default until the creditors formally demanded payment.

Last Tuesday, the chairman of Vickers, Lord Knollys, personally handed such a demand to Capital's Pres. David H. Baker in his Washington office. This puts the British group in a position to take whatever legal steps might be necessary to get their money—including, at the most extreme, foreclosure on the planes.

Such a step seems unlikely. Vickers says it's willing to cooperate in "a sound plan" to provide for the notes and Capital's financial plight. Capital, for its part, had a board meeting scheduled for Friday to attempt to find a solution and prepare for a stockholders' gathering Apr. 20—at which all its woes may come to a head.

## Airlines Grapple Money Woes

**TWA has ended a four-year search for a way to finance its jet purchases by arranging a three-part, \$340-million plan—while Capital's fiscal worries multiply.**

The jet age has brought U.S. airlines more passengers, more revenue, and more speed, but it has also produced vastly more serious financing problems than the industry ever faced before—mainly because jet aircraft are so expensive to buy.

This week, two examples of the new woes were vividly on view:

- **Trans World Airlines** seemed to have found a way to solve its money troubles through a complicated, three-part financing plan.

- **Capital Airlines**, by contrast, flew smack into probably the worst turbulence it has encountered yet. Right after the Civil Aeronautics Board denied its application for an immediate subsidy, it was slapped by the beginning of proceedings that might at worst lead to foreclosure on its fleet of Viscount turboprops.

- **Hughes' Ways**—For four years, TWA had been casting about for a way to finance the 63 jet planes it had on order. The standard formula for such deals in the past was for Hughes Tool Co.—a profitable maker of oil drilling equipment wholly owned by Howard Hughes, and itself, in turn, the 78% owner of TWA—to buy planes from the manufacturers on its own and lease them to the airline. This technique worked with the first 22 jets delivered to TWA by Boeing Airplane Co. But with oil drilling diminishing, Hughes Tool's profits were down. As it was, Hughes last summer had to sell six Boeing jets from his original order to Pan American World Airways for \$40-million. He also persuaded Boeing to let him delay payments due last year.

Five more Boeing 707s will be turned

over to TWA in the next month or two, and 30 Convair 880s are due this year to complete the line's pure jet fleet. Reportedly, a few of the Convairs might be sold to other airlines. But it was still becoming increasingly urgent for Hughes to come up with feasible financing. Aircraft makers demand payment in full on delivery.

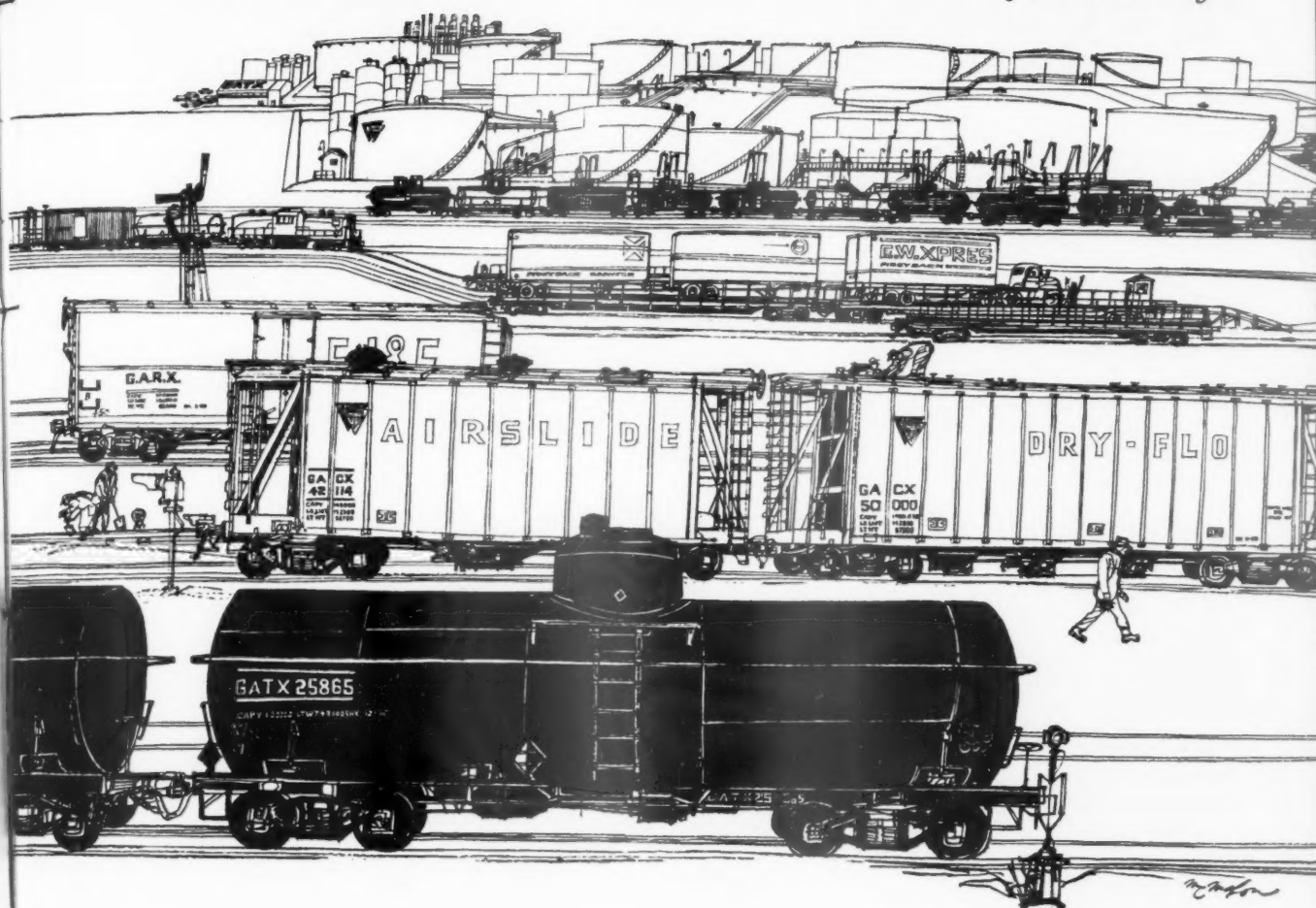
- **Package Plan**—With the pressure mounting, Hughes last week announced a program to raise up to \$340-million by tapping the resources of TWA, Hughes Tool, Hughes himself, and private lenders.

In simplest terms, the complex plan comes to this: Hughes Tool will put at least \$78-million and perhaps as much as \$100-million into TWA on what is practically an equity basis—through an issue of TWA subordinated income debentures accompanied by warrants to buy common stock (amount and price not yet determined). With this cushion of junior securities to protect its senior creditors, TWA will borrow \$190-million by private placement through a trio of top New York investment bankers—Dillon Read & Co., Lazard Freres & Co., and Lehman Bros. The investment houses will act as agents, not as underwriters.

TWA will draw the final \$50-million it needs out of its own earnings and depreciation allowances. If these sources don't yield enough, Hughes personally will make up the difference.

The warrants attached to the junior debentures presumably would be designed to make the issue more attractive to minority stockholders. If this group failed to take the full \$22-million of debentures allotted it, Hughes Tool

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# In Business

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## Civilian Advisers Tell Air Force To Buy Its Travel at Going Rates

A civilian advisory committee recommended to the Air Force this week that the Military Air Transport Service drop its policy of asking commercial airlines for competitive bids on routine passenger and cargo hauling. Instead, MATS should pay the going rates of the airlines, said the committee, which included men from the industry.

Such a policy would admittedly increase the government's transportation costs (a recent bid to MATS by Trans World Airlines offered an Atlantic crossing at only \$79 a head). But it would help the airlines pay for their investment in planes that are more modern than most of MATS' own fleet.

Air Force Secy. Dudley C. Sharp set up the committee, headed by Chmn. Gordon W. Reed of Texas Gulf Producing Co., in line with the Administration's decision to seek ways to curtail MATS' controversial competition with commercial airlines. Sharp said the recommendations will get "careful consideration."

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## FPC Examiner Views Gas Case Just the Opposite of Canadians

On the heels of Canada's grant of gas export licenses (BW-Apr.9'60,p34), a U.S. Federal Power Commission examiner ruled in favor of an upstate New York deal that Canada's National Energy Board had turned down.

Examiner Howell Purdue, subject to FPC review if a challenge is filed within 30 days, said St. Lawrence Gas Co., Inc., should be allowed to import Canadian gas from Niagara Gas Transmission, a fellow subsidiary of Consumers' Gas Co. of Toronto.

Purdue noted that the Canadian decisions are subject to review. But even if St. Lawrence can't get gas from Niagara, he said, New York State Natural Gas Corp. shouldn't be allowed to serve the area. The latter planned to sell U.S. gas to Niagara Mohawk Power Corp.

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## Katy's President Isn't to Be Jailed, Texas Supreme Court Warns Judge

Pres. W. N. Deramus, III, of the Missouri-Kansas-Texas RR Co. won't have to go to jail and pay a fine after all for letting his railroad's trains block a grade crossing in Dallas (BW-Mar.5'60,p34).

Last month, the Texas Supreme Court had frowned on the contempt judgment against Deramus by District Judge W. L. Jack Thornton, but it denied a writ of mandamus knocking out the contempt order. Judge

Thornton's response was a warning that he would execute the sentence the moment Deramus set foot in his jurisdiction. "I'm going to put him in jail if it takes me the next 10 years to do it," said the judge, indicating that he might be satisfied with a token sentence rather than the original 240 days plus a \$4,000 fine.

Last week, the Supreme Court spelled out its findings on rehearing of the case, "in order that there may be no misunderstanding." It said: "The contempt order is wholly void and will not support any fine or imprisonment . . . We again assert not only the presumption but a very firm belief that no trial judge will attempt to enforce an order that we have held to be void . . . If this should occur, it will be the first time in the history of Texas jurisprudence, so far as we know."

The ruling added that "the respondent judge may not have understood the full import of our decision" last month. The court thus upholds Deramus' contention that he personally should not be held responsible for the alleged 80 or more violations of Judge Thornton's order not to block the Alamo Street crossing. An underpass is under construction.

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## Georgia to Open Bids on Rights To Oil, Gas It Never Thought Much About

Georgia is now feeling its way into the business of leasing oil and gas rights in its offshore lands.

It started when Pure Oil Co. expressed interest in some exploratory drilling off the Georgia coast. State officials admitted this was a completely new problem. They're still uncertain as to how to go about leasing such rights, but the ads are out now for opening of bids next Tuesday.

A Dallas group is also interested, along with Pure Oil. Potential bidders are being asked, in the absence of any state map with tracts marked off on it, to specify in their bids the location and amount of land, the amount of rental and royalties offered to the state (a minimum of 12½% of gross production of oil and gas), and any other terms of lease. The state expects an acreage rental during the period before production.

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## Business Briefs

Russia is buying its first automated continuous butter-processing system from the same U.S. company that supplied it with its first modern ice cream plant in 1938. Cherry-Burrell Corp. of Cedar Rapids, Iowa, said the Russians are paying \$120,000, with delivery in June.

The Minneapolis & St. Louis Ry. Co. plans to enter some other business after selling its railroad operation to the Chicago & North Western Ry., stockholders were told this week. The railless railroad could offer a \$20-million to \$30-million tax loss carryover.

Underwood Corp. directors approved acquisition of Olivetti & Co.'s American distribution subsidiary by an exchange of stock. The Italian company already owns about 39% of Underwood stock.





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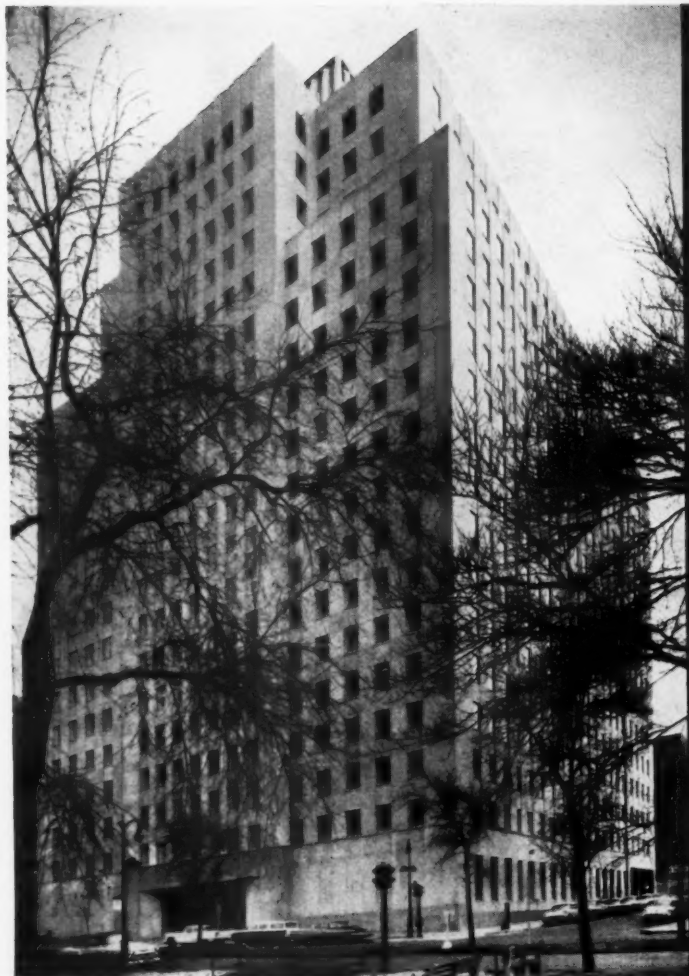


Photo courtesy of Turner Construction Company

A magnificent culmination to a fifty-year dream of bringing Protestant and Orthodox communions in America together under one roof, The Interchurch Center is an outstanding New York building, as well. It is especially noteworthy for an overall high quality in construction and equipment. Planned to be a symbol of unity that would endure for generations, architects and contractors could be satisfied only by "the best" in everything.

When it came to valves for both the central air conditioning system and the heating system with its three low pressure boilers, all building factors agreed on JENKINS. They could be sure Jenkins Valves would deliver an unusual measure of long-time efficiency and economy. And, as practical planners, they appreciated the fact that Jenkins Valves cost no more than any good valves.

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*Architects:* COLLENS, WILLIS & BECKONERT  
-VOORHEES WALKER SMITH SMITH & HAINES.  
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# JENKINS

LOOK FOR THE JENKINS DIAMOND

# VALVES









# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
APRIL 16, 1960



Official Washington senses a rise in business confidence. A cluster of signs exist. One thing still lacking is improvement in statistics. As March figures come in this month, many will look discouraging. But key Administration officials think retail trade is improving and will continue to do so, pointing to a broad general rise in the economy.

## Here's what officials say is behind their figuring:

The business community is peppier, jauntier. That is the estimate of officials who specialize in maintaining close touch with businessmen. These officials say doubts and hesitation that showed up last winter are being shaken off. Part of this is recognized merely as springtime buoyancy, but Pres. Eisenhower's economic advisers are confident that quite a bit more is involved.

The recent rise of interest rates fits into this picture, they say. The discount rate on Treasury bills rose almost a point this week and yields on long-term bonds also stiffened. Investors took only \$370-million of Treasury's 25-year  $4\frac{1}{4}\%$  bond offering last week, less than expected.

All this is the way financial markets normally would respond to a rise in confidence, and this is how officials are reading it.

The cold war in Congress over U.S. bond interest rates will heat up. Democrats would still like to go home without acting on Eisenhower's request to lift the  $4\frac{1}{4}\%$  ceiling on long-term bonds. For most of the year—while interest rates were falling—time has been on the side of the Democrats. The new trend may work for the Administration. At least, this is the belief of Treasury officials, and they are preparing to argue that the ceiling will bar the government from long-term borrowing.

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The monstrous wheat surplus problem is going to get even worse. That's the meaning of this week's forecast of a 977-million bushel winter wheat crop, to be harvested in the months just ahead. More millions of bushels will wind up in government ownership, unwanted and unneeded.

The outlook for remedial wheat legislation is dim, nevertheless. The federal wheat support price is \$1.77 a bushel, or 75% of parity, and the national acreage allotment is 55-million acres. Farm state legislators probably would settle for a new bill reducing the allotment 20%, or to 44-million acres, and raising the support price to \$1.90, or 80% of parity. But city congressmen, in the main, feel that they dare not vote for raising wheat support prices this year under any circumstance.

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Effectiveness of new civil rights legislation, on which all of the climactic Congressional battles now have been fought for this year, is a long way from any worthwhile judgment.

Legality of the voting referee system, establishment of which is the basis for all claims of advance, will be thoroughly challenged by Southern states at every turn. At the least, this will be a time-consuming process so that 1960 voting will not be affected. The Supreme Court has still to rule finally on constitutionality of the milder 1957 Civil Rights Act.

Probably the most substantial question for the long haul involves whether or not the Southern Negro responds en masse to the referee innovation. Northern Negro leaders already are denouncing the referee plan

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
APRIL 16, 1960

on grounds it is cumbersome and complicated." But many Negro scholars think the real problem is not legislation, or lack of it. Rather, they hold that it is individual indifference—pointing out that only a trifling percentage of Southern Negroes have registered and voted, even in areas where polling privileges have been freely available to them for years.

Here's how the referee system is supposed to work: In areas where a federal judge finds a "pattern or practice" of discrimination exists to deprive qualified Negroes of voting rights, federally appointed referees will sit as judicial agents of the court. Referees will be empowered to hear individual complaints and to certify the rights of individuals to vote. Polling officials who refuse to accept referee certifications will be subject to contempt citations and up to 45 days in jail.

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The Rockefeller "threat" to Nixon is not yet taken seriously by top-drawer Republicans here. Careful soundings fail to show any serious defections, here or elsewhere, among the most influential supporters of Vice-Pres. Richard M. Nixon for the GOP Presidential nomination. The real movers inside the party still hope for New York's Gov. Nelson A. Rockefeller on the ticket, but as second man to Nixon.

The prospect with 14 weeks to go before the convention:

Delegates, now being chosen, will lean to the conservative side in most states. A lot of them may have misgivings about Nixon's determination to put a new tone into Republican policy—on such things as school aid and health insurance, for example—but the reality of the current situation is that most of them feel Rockefeller would swing even more sharply toward the positions commonly defined as "liberal."

Nixon is likely to lose several states' convention delegations, but this prospect is accepted as little more than a minor irritant. Rockefeller is due to get backing of the New York delegation, and the ultraconservative Sen. Barry Goldwater will get home support from the Arizona group, plus two or three Southern delegations besides South Carolina's, which is already pledged to him.

Rockefeller's best chance to upset Nixon, in the view of GOP pros, would come if the Vice-President should utterly collapse in the popularity polls. In this view, the Vice-President's decline in the polls is not yet such as to attract the overt and influential leadership that would be required for the success of any drive to "dump" Nixon.

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Democratic Presidential campaign notes:

A "stop-Kennedy" drive affects West Virginia primary odds. Leading West Virginia Democrats say Sen. John F. Kennedy is no better than an even bet with Sen. Hubert H. Humphrey in the May 10 vote. Two weeks ago, they had Kennedy pegged comfortably in a favorite role.

Adlai E. Stevenson's low pressure campaign, aimed at getting the Democratic nomination without giving the appearance of reaching for it, began this week with a speech at the University of Virginia. The message was there for the politicians: Adlai is available—and aims to be a factor. Those who looked for signs that Stevenson in 1960 might conduct a different kind of campaign than in 1952 or 1956 failed to detect any.







# Idle Cash Turns a Hefty Profit

**Chesapeake & Ohio has made a science of keeping surplus cash always at work—for more than \$2-million annual return.**

One day last week Scott York of the Chesapeake & Ohio Ry. in Cleveland (picture) telephoned a New York dealer in government bonds. York said he would like to buy some government securities if the dealer guaranteed to buy them back. This repurchase agreement—or “RP”—had advantage for both sides: The dealer would have C&O's funds to cover some of his security transactions, while C&O would gain interest on its idle cash.

The dealer agreed, and C&O took \$1-million par value of Treasury bills, due June 30, 1960. Actual price paid for the bills was \$991,145.83. The repurchase agreement was for a single day, so the next day the dealer paid C&O \$991,250—netting C&O \$104.17 in interest.

Such transactions are standard operating procedure for C&O and many other large corporations. In recent years, corporations have become a ready source of funds for bond dealers through the repurchase agreement device—and they have become large buyers and sellers of bills directly.

• **Tight Money Stimulus**—C&O and others, in fact, are paying more attention than ever to making their idle cash—both cash earmarked for corporate uses in the future and reserves set aside for a rainy day—work harder for them.

Financial men find a number of reasons to explain this. The main factor, though, is tight money. Since 1951, corporations have had to pay increasingly higher interest rates on the money they borrow. This has forced them to keep closer tabs on their cash. Moreover, a lot of them have learned to invest surplus funds in high-yielding short-term securities, in order to make themselves more independent of outside borrowing when tight money hits.

• **Activity in Treasury Bills**—The new importance of cash investment shows up most clearly in Treasury financings. Corporations now play a major role in the government market, having mastered the intricacies of the bidding and selling. As a group, they now are the largest holders of Treasury bills. Treasury bills, which are the “nearest thing to cash,” don't impair a corporation's liquidity, and, at the same time, provide some extra income.

The Treasury is keenly aware of this increased corporate activity. It has, in the past few years, issued new 182-day



**C&O SECURITY ANALYST** Scott York, at 31, has complete freedom to act fast in handling its \$50-million investments; but he's guided by principles set by company.

bills and new tax-anticipation certificates tailor-made for corporate buyers.

• **Cash Management**—Still another reason for corporate emphasis on cash surplus investment is that companies are beginning to look harder at the whole field of corporate cash management—in itself a relatively new concept for U.S. businessmen (BW—Jul.12'58,p21). As David Climán, staff assistant to the treasurer of Allied Chemical Corp., who is considered one of the finest practitioners of the craft of corporate investment, explains to American Management Assn. audiences: “Handling an investment portfolio is meaningless unless a company has an over-all program of corporate cash management.”

Climán says this takes a lot of doing, that the corporation has to work out carefully cash planning details, cash flow processes of receipts and disbursements, cash acceleration and deceleration techniques, bank relations (with emphasis on deposit levels), control of such non-cash items as inventories, receivables, and many other things. But cash management, Climán believes, is one big

reason why corporations today have achieved a level of liquidity that many had never before reached.

• **Return to Wall Street**—All these factors are bringing corporations back into Wall Street's money market—an area many of them avoided in the 1930s and 1940s. After the 1929 market crash, many companies were reluctant to dabble again in Wall Street.

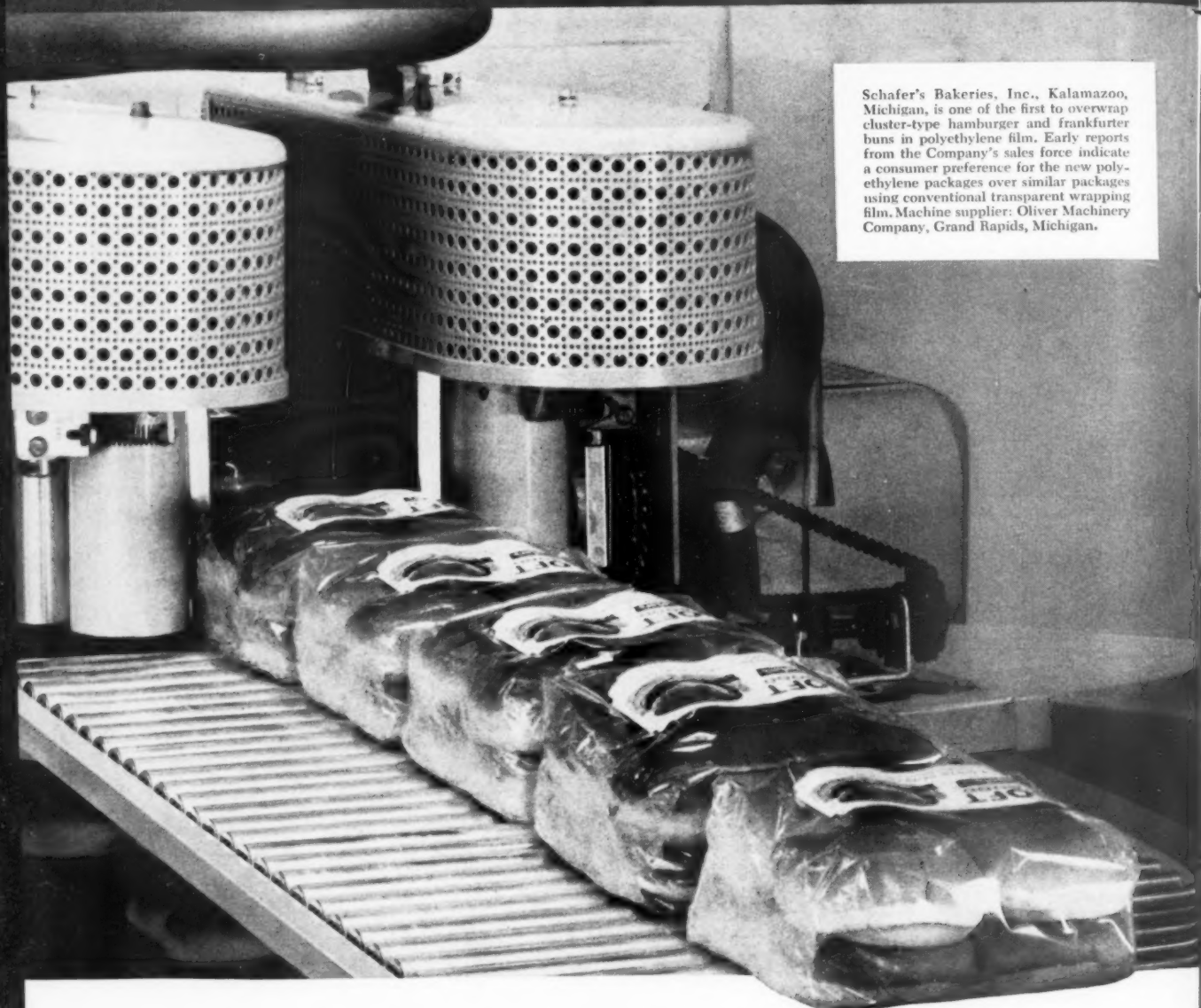
Now that they have returned, they still get burned occasionally. In the spring of 1958, scores of companies came out with sizable losses and red faces when they invested in a “sure thing”—the 2½s of 1965.

## I. Growing Field

The number of companies that possess short-term portfolios of any size is not large. But it is growing. And the chances are that a larger number of companies would be interested if they could find the personnel. Corporate men who qualify as money market experts are in short supply.

Most corporations keep their idle

# NOW...polyethylene film can save you more money than ever!



Schafer's Bakeries, Inc., Kalamazoo, Michigan, is one of the first to overwrap cluster-type hamburger and frankfurter buns in polyethylene film. Early reports from the Company's sales force indicate a consumer preference for the new polyethylene packages over similar packages using conventional transparent wrapping film. Machine supplier: Oliver Machinery Company, Grand Rapids, Michigan.

## Let commercially proved automatic wrapping machinery put polyethylene's economy into your packaging

Thousands of manufacturers have realized important savings by packaging with polyethylene film. Total use in 1959 was over 250 million pounds—up 650% since '53. Fresh produce, textiles, dry-cleaning, paper products, hardware, frozen food are only a few of the industries currently profiting from polyethylene film packaging.

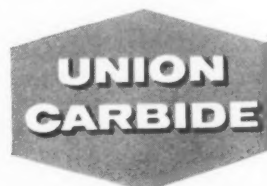
Now even greater savings are being achieved by overwrapping with polyethylene on production-proved automatic machinery. One of the newest is the "Oliver" 899 machine shown above. In addition to cluster buns, other baked goods and a variety of paper and textile products can be wrapped in polyethylene on this Oliver machine.

Here's what polyethylene film offers you: *Unmatched economy*—lowest cost transparent film; *high sales appeal*—soft feel, clarity, sparkle, printability; *excellent storage life*—

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cash in the bank. This is particularly true of smaller corporations, which seldom achieve the degree of financial independence that comes from building up their own cash assets. True, says Francis A. Bickel, assistant treasurer of United Air Lines, many of them just don't have too much idle cash.

"Still," he goes on, "many small companies think their banks would be peeved if they withdrew some funds for investment. This may be true in some cases, but not the majority."

• **Sophisticates**—Not all of the corporations that have discovered that their idle cash can be put to work are big companies. A number of smaller companies invest in bills—chiefly to cover tax liabilities—and others have discovered the short-term commercial paper market.

However, the list is relatively limited of the really sophisticated corporations—those which recognize that there are substantial profits to be made in keeping their bank balances at a minimum while investing the rest of their cash in diversified places.

Both American Telephone & Telegraph Co. and Standard Oil Co. (New Jersey), for instance, have more than \$1-billion apiece invested in marketable securities. Allied Chemical has a diversified portfolio, including stock investments in Owens-Illinois Glass, American Viscose, U.S. Steel, Libby-Owens-Ford, and Virginia-Carolina Chemical; it received more than \$100-million last year from dividends, interest, and profitable securities transactions. General Motors, another big investor, is one of a number of companies that have a yen for trading in short-term Canadian securities. At 1959's close, GM held \$29.4-million of such securities.

• **1959 Entries**—Many others are just now getting to the point where investing their idle cash is more than a sideline. Last year, many corporations increased their bill holdings, and only part of this buying can be attributed to money set aside from taxes or to inventory-money surplus. A good deal of the buying was done because businessmen were taking advantage of fast-rising interest rates.

Aluminum Co. of America, for instance, at yearend 1958 had no short-term investments on its balance sheet. At yearend 1959, it showed \$10.7-million in bills and \$7.3-million in marketable securities. The pattern also held true for a number of oil companies, which added short-term securities while their actual cash on hand was dropping.

## II. How C&O Does It

The problem of what to do with cash is different, of course, for each company. There are no general yardsticks

to go by. But Chesapeake & Ohio offers a fine example of how big companies are approaching the problem—and its approach is appropriate, in part at least, to companies of any size.

• **Key**—In managing a short-term portfolio, says C&O men, there is one thing to keep in mind: The primary purpose of the portfolio is to make sure the company has money when it needs it. This means the portfolio can't be immobilized, that part of it must be liquid to meet cash needs. The trick is to maximize returns within a framework of safety.

The key, says John G. Lamb, C&O's assistant treasurer, is to make sure the company has a detailed cash forecast that plots how much money is coming in and how much is going out. C&O makes cash flow forecasts (expected receipts and disbursements) for three months in advance. These three-month forecasts are revised monthly to give an accurate reading for the coming month. This monthly forecast has come very close to the mark.

Cash forecasts, says Lamb, make it possible to classify the investments in a portfolio according to the company's future needs. For example, this might include a base of short-term highly liquid securities to provide against unforeseen contingencies; a much larger revolving fund in securities maturing up to six months—to take care of near-term cash deficits arising from dividend payments, payrolls, and taxes; and perhaps still another portion invested in longer-term and less liquid securities set aside for more distant needs.

• **Advantage**—As a railroad, C&O has an advantage over many industrial companies in setting up such a program. This is because the railroad industry lends itself to more accurate forecasting of cash flow than many industries.

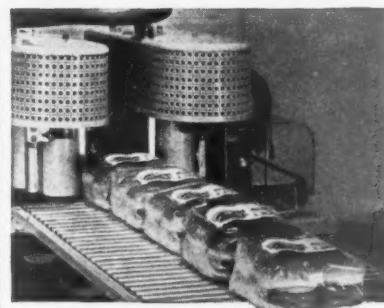
The annual patterns of railroad traffic are based on past performances and are easy to predict. The Interstate Commerce Commission requires 96-hour payments on freight charges, and this gives a predictable flow of receipts. This enables C&O to take advantage of the daily increases in total cash, keeping its surplus invested at all times, and, conversely, timing maturities of short-term investments to coincide with daily cash decreases.

• **Principles**—With all this in mind, C&O cites three principles of portfolio management:

- Maintain only minimum bank balances. C&O's bank balances run about \$15-million, spread around 125 banks.

- Have accurate forecasts on cash receipts and disbursements by days for at least a month in advance.

- Invest all excess cash in short-term investments, with maturities coin-



## How's this for return on INVESTMENT!

Assume that you are using the "Oliver" 899 machine (see facing page) for wrapping your product. The table shows typical savings, depending upon package size, of 1.25-mil standard clear polyethylene film\* over the next lowest cost widely used transparent film.\*\*

Size of Product	Packages Per Year	Approximate Savings Per Year
3" x 5" x 1½"	5 million	\$ 3,350
5" x 9" x 3"	5 million	10,179
7½" x 12" x 2"	5 million	13,398

Here's how these savings are calculated. If your product is item #2 above, you need about 234 sq. inches of film, including overlap, to wrap it. Based on an output of five million packages per year, your approximate annual cost for polyethylene film would be \$24,336. Conventional wrapping film would cost you \$34,515. Your savings by using polyethylene film—over \$10,000—represents a major portion of your original machine investment. Remember too that polyethylene also saves more of your packaging dollar through less wrapper breakage—in storage, in transit, and on retail counters.

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\*Delivered cost \$.0208 per 1,000 sq. inches  
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ciding with the needs as shown in cash flow forecasts.

• **Portfolio**—C&O's current portfolio of about \$52-million holds four basic classes of securities:

**Treasury bills** are the first group. C&O now has about \$3-million in 182-day bills—it likes to keep less than 5% of its portfolio in bills since the return is not so high as on other investments. Besides, its cash forecasting is so accurate that \$3-million or so is all it needs of highly liquid securities. C&O purchases bills one week, and rolls them over the next—selling them in the open market before purchasing new ones. C&O's figures back up its claim that this roll-over produces a higher return on the average than keeping bills until maturity.

**Finance paper**, and some commercial paper, make up about one-fourth of C&O's portfolio. Finance paper is bought from the top six or eight finance companies which sell their paper direct to lenders. C&O buys some commercial paper, when rates are attractive, from the smaller finance companies, and from some industrial companies. The finance company paper is bought to coincide with cash flow needs on days of predicted cash deficits—and can be tailored to C&O's needs.

**Government bonds** and government agency bonds constitute something less than one-half of the portfolio. Maturity dates of the government bonds are generally kept within two years—though this was extended a bit last year when C&O took advantage of high interest rates to place \$12-million in longer-term bonds.

**Tax-exempts** and a few corporate bonds make up the final one-fourth of the portfolio. These are less marketable, but yield a higher net return and can be used for that part of the portfolio that can be invested without anticipation it might be needed soon.

• **Free to Act Fast**—In handling the portfolio, Scott York has complete autonomy. It's unusual to give a 31-year-old security analyst complete freedom of movement in managing a \$50-million portfolio. But C&O officials say that autonomy in the job is a must.

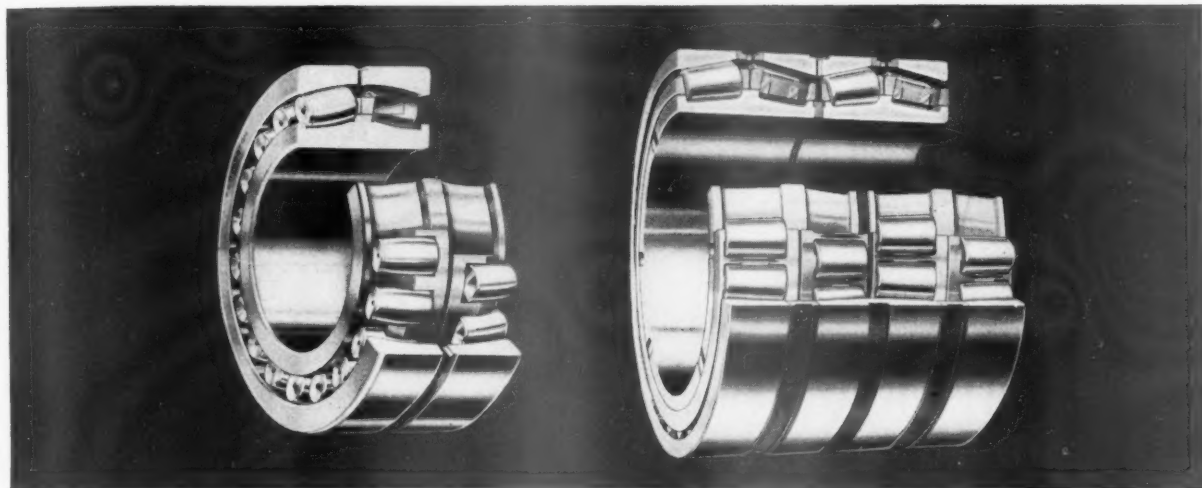
Repurchase agreements, for instance, such as the one York took last week, must be accepted fast. You can't wait and call back in 15 minutes or they may be taken by someone else.

The results seem to prove C&O's case. At present, C&O is getting a yield of about 5.5% on its managed cash—or more than \$2-million on an annual basis.

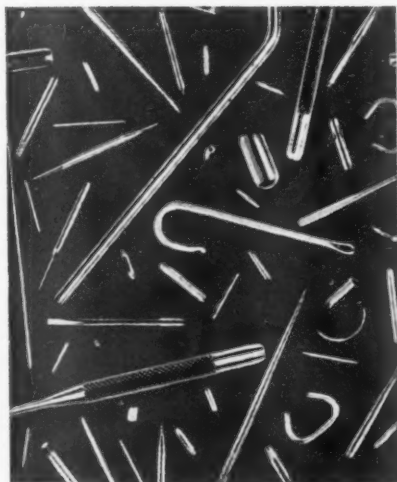
In achieving this return, York does not try to outguess the market. C&O never holds cash against a better investment day. Its system calls for investing all of its surplus cash every day, and at the best return possible that day. **END**



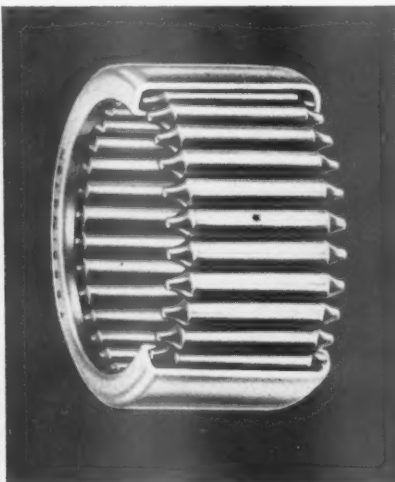
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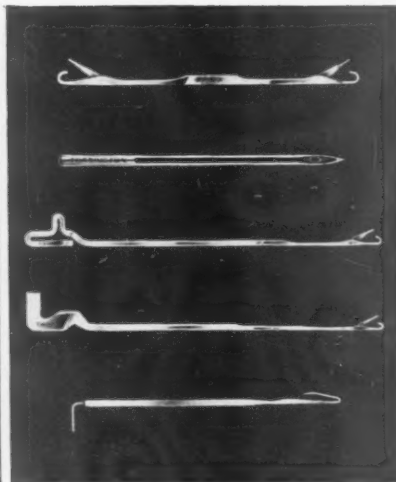
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## New Tax Didn't Hurt So Much

Life insurance companies have had their first year of operation under a new, tougher tax law. They agree that it hurt, but less than some of them had expected.

After a year of living under a new, increased tax base (BW—Jun.27'59, p109), the life insurance industry is far from happy but admits it could have been worse off. Many companies say earnings have been sharply affected and dividend increases postponed. A surprising number, though, say that the impact hasn't been so great as anticipated.

The new tax hits both stockholders and policyholders in mutual companies. It increases the amount of taxes on income earned from investments—a big income producer for mutual companies—and it taxes, for the first time since 1921, income from underwriting (in essence, premiums collected in excess of necessary reserves)—a money-maker for stock companies.

• **Cases in Point**—Robert E. Slater, vice-president of John Hancock Mutual Life Insurance Co., notes an effect that is typical in the field. "The new tax has set us back two years in our investment earnings," he says. "Earnings have gone no lower, but they would have gone higher; our net return is now about the same as 1957. This means that our policyholders have been set back two years, too, in that dividends aren't being increased."

A wide range of companies is affected. New England Mutual Life Insurance Co. says in its annual report that, had it been taxed in 1959 as it was in 1949, there would have been \$7.5-million more in after-tax earnings.

State Mutual Life Insurance Co. of Worcester, Mass., reports that, although earnings have gone up with the help of higher yields last year, the tax is costing policyholders money by keeping dividends from rising.

General American Life Insurance Co. of St. Louis attributes its drop in net investment yield—to 3.44% last year compared with 3.5% in 1958—to the increased taxes.

• **Could Be Worse**—There is a strong indication, though, that many companies have been hit less hard than they expected. One big company that expressed this sentiment is Connecticut General Life Insurance Co. According to G. Frazer Wilde, Connecticut General's president, the company's financial results for 1959 were better than anticipated.

The company had believed that the impact of the new tax would drive net earnings into "some decline" in its first year. But, despite a \$7-million in-

crease in tax liability over the past two years, Connecticut General still was able to add \$4.9-million to contingency funds and \$5.2-million to unassigned surplus in 1959.

• **New Conditions**—The new law is complicated, and life companies say that first-year results may be deceiving in some cases, with the full impact not calculable for several years.

The new tax base differs in two fundamental ways from the old legislation.

First, it increases the amount of taxes on income earned from investments. The law assesses the regular 52% corporate tax rate against 21% or 22% of investment income—the money earned on invested assets—compared with 15% under the old law.

Second, it taxes income from underwriting. Half of this underwriting income is taxed at the regular corporate rate as it is earned; the other half is taxed only when it is distributed to stockholders.

• **Mutuals Hurt Less**—In effect, the law bore down more heavily on the stock companies than on the mutual companies—which write about two-thirds of the industry's total business. The mutuals have relatively little underwriting income, relatively high investment income. On the other hand, stock companies generally have relatively low investment income, high underwriting income.

• **New Tactics**—The life companies are casting about for ways to offset the new tax bite. One sign of change is that more insurance companies are going into equity investments. Life companies, like any other corporation, would receive an exemption of an effective 85% on dividends received from common and preferred shares.

Equitable Life Assurance Society of the U.S., for one, says that it has begun buying common stocks at the rate of about \$40-million a year. Until recently, Equitable held only about \$14-million in common stocks in its \$600-million portfolio. Pres. James F. Oates, Jr., indicates that the shift might eventually result in Equitable's holding about \$260-million in common stocks.

To offset new taxation, many life companies have also increased their holdings of tax-exempt bonds. Nationwide Insurance Group companies, for example, have for years been channeling part of their funds into tax-exempts in anticipation of the new tax. **END**



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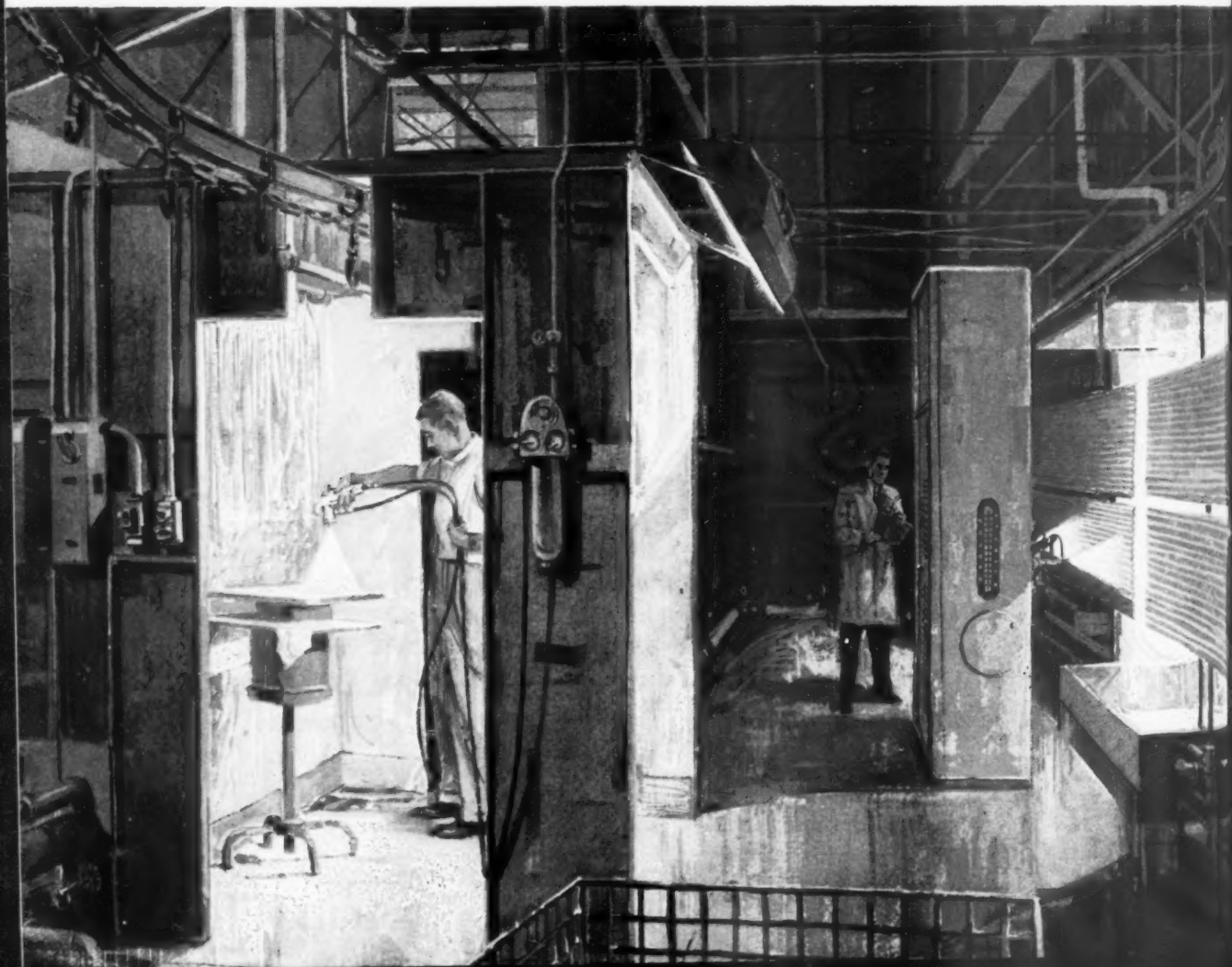
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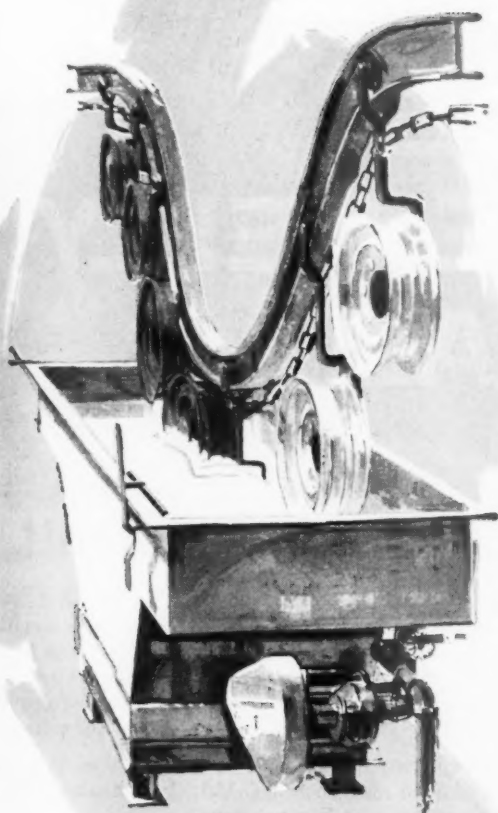




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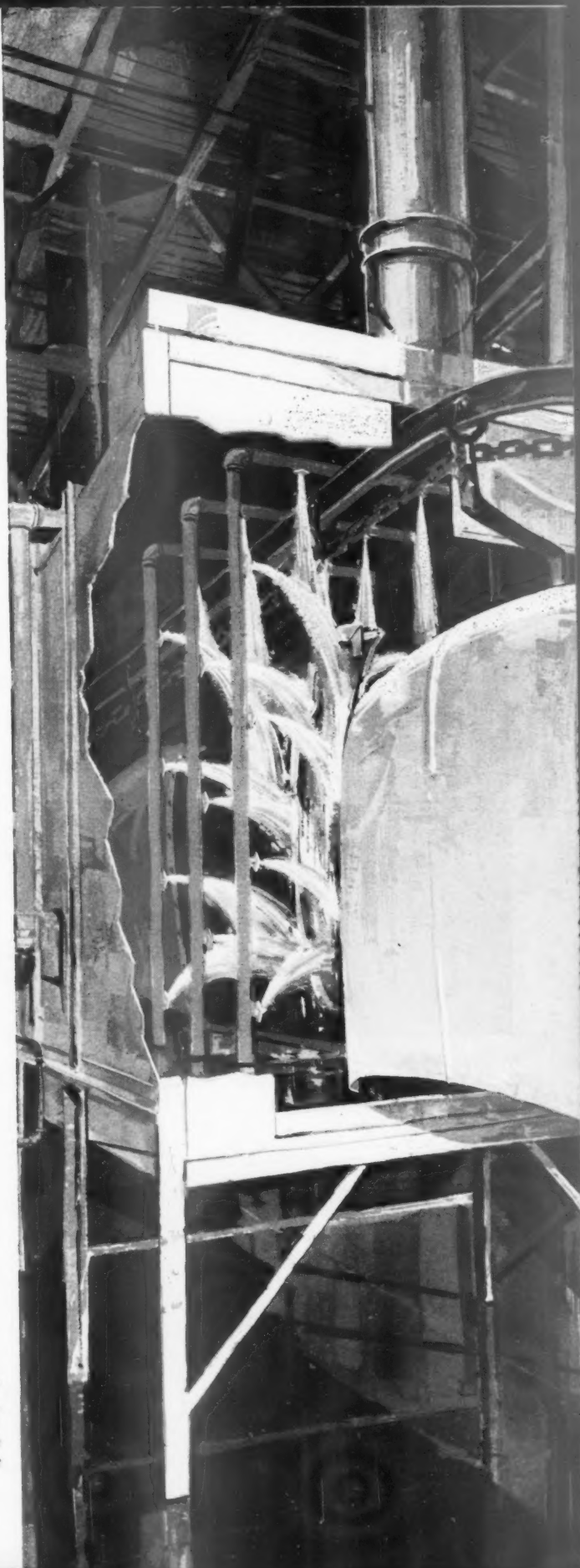
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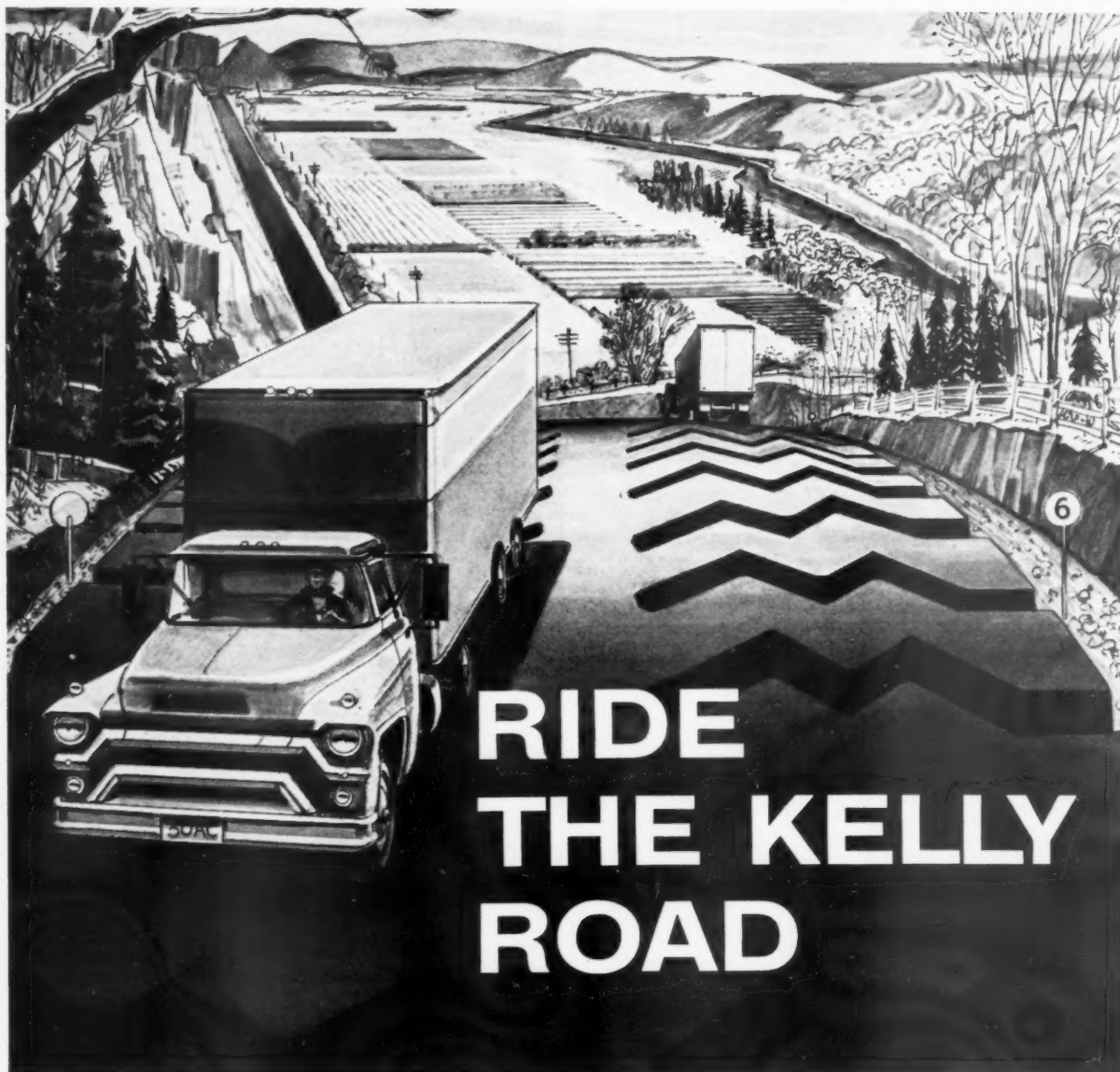
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# In Finance

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## Fanny Mae to Issue Short-Term Notes To Ease Its Dependence on Treasury

The Federal National Mortgage Assn.—Fanny Mae—announced this week that it would begin borrowing in the short-term money market for the first time in its history. This step, it hopes, will reduce its borrowings from the U.S. Treasury and thus cut down on spending that is figured as part of the federal budget.

Until now, Fanny Mae has borrowed by issuing debentures, most of which run for one year or more. It plans to continue this type of financing, which is used to pay for Fanny Mae's operations in the secondary mortgage market. But it hopes to increase the flexibility in its borrowing program by going into the market for short-term funds—running from 30 days to 270 days—when conditions warrant.

Fanny Mae is planning to sell these short-term notes on a discount basis, the method used in the commercial paper market. But it hopes that its paper will carry a smaller discount than regular commercial paper because of its special nature.

While Fanny Mae is relieving the Treasury in going directly to the market, it may also prove a competitor to the Treasury's own market offerings. The new plan has Treasury approval with the proviso that Fanny Mae will not sell paper maturing around tax dates—which would take customers away from the Treasury.

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## RemRand Acquires Clary's Computer Business, Breaks With Big French Office Machine Maker

The Remington Rand Div. of Sperry Rand Corp. expanded and contracted its activities this week:

- It announced the acquisition of the adding machine and cash register business of Clary Corp., which it picked up, subject to the approval of Clary's stockholders, for just over \$8-million. Clary's products will round out Remington Rand's line—and will be sold under the Clary name. (Clary said the sale will provide it with a profit of \$3-million, give it \$5-million for new investments.)

- It revealed that its 10-year contract with La Compagnie des Machines Bull, France's largest maker of office machines and computing equipment, will be terminated by "mutual agreement" when it expires at the end of July. Under the contract, RemRand had exclusive rights to the manufacture and sale of Bull equipment in the U.S. under RemRand's name. Bull also supplied parts to RemRand for its own equipment.

Bull has made no secret that it wants to sell in the U.S. under its own name (BW—Oct. 10 '59, p115). It is currently shopping around among American manufacturers for an agreement to permit a broader line of Bull products to be sold here under the Bull label.

RemRand spokesmen say that Bull duplicated most of

its own products, except for a collator and multiplier that the French company possessed. It does not expect that the loss of the Bull contract will affect earnings significantly, although it admits that if Bull is successful in coming to terms with another American firm, it will offer competition to RemRand and other office equipment makers.

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## Foreign Cash Helps Roy Cohn Group Buy Controlling Chunk of Lionel Corp.

A group of international money lenders helped Roy M. Cohn—who first hit the headlines as an associate of the late Sen. Joseph R. McCarthy—win control of Lionel Corp., maker of model trains. Cohn's borrowings were revealed this week in a proxy statement issued by Lionel in advance of its annual meeting; apparently the SEC insisted that the details be spelled out.

According to the statement, Cohn and a group of associates borrowed \$532,000 in October from the Commercial Investment Co., Ltd., of Hong Kong; this loan has since been repaid. In November, another \$400,000 was borrowed, this time from Atlantida, S. A., of Panama; this loan is due for repayment in May.

In addition, Cohn and a member of his group borrowed \$339,000 in October from Mastan Corp., a New York commercial financing concern, and Mastan advanced another \$147,000 last week.

In all, Cohn and his associates borrowed almost \$1.3-million in buying up 133,404 shares of Lionel, or more than 18% of the shares outstanding. The Cohn group paid 12½ to 15 a share; this week, the stock traded at 16½.

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## Finance Briefs

Charges and countercharges were hurled this week in a proxy fight over Bowser, Inc., manufacturer of gasoline pumps. The insurgent group, led by James M. Barrett, Jr., a Bowser director, attacked the policies of R. Hosken Damon, late chairman and president, said that he "dominated" the board of directors. A "Common Shareholders" committee, claiming to represent 45% of Bowser's outstanding shares, fired back at Barrett, said he was engaging in "panic" tactics that would "destroy Bowser."

Techno Fund, Inc., a new small business investment company has been organized in Ohio to provide financial aid and advice to companies in technological areas along the same lines as Electronics Capital Corp. (BW—Apr. 9 '60, p49). Techno Fund plans to invest in different technically based firms across the country; most other companies operating under the Small Business Investment Act are providing funds only to firms in their own communities.

Hanover Bank, one of New York City's major "wholesale" banks, concentrating on corporate lending, joined the growing trend toward "retail" banking this week by offering personal loans to consumers as well as special checking accounts.





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## MARKETING

# U.S. Rubber Plugs Gap in Tire Sales

No one passing the store shown below could miss what it's selling: tires, tires, and more tires. No one could miss, either, that the store is selling U.S. Royal tires.

But there's more than meets the eye behind this facade. The building shown is the first built-from-the-ground-up company-owned, company-operated retail operation that the U.S. Rubber Co. has had in the U.S. in almost a quarter of a century (it has operated its own stores in Canada).

• **Prototype**—The building isn't the first such venture. U.S. Rubber has had a few stores going for some months. As of now, there are 21, with four more to come in May. But the others were remodeled jobs. This one, designed especially for tire merchandising, will serve as a prototype for a string of such stores that signals U.S.

Rubber's re-entry into selling replacement tires at retail. By yearend, it expects to have perhaps 40, all in major metropolitan markets. By conservative estimates, it will have some 200 in five years—and may have considerably more.

Company-owned tire outlets were pioneered back in 1926 by Firestone Tire & Rubber Co. to offset competition of the big mail order houses. It now has 785—the largest network of the Big Four. Goodyear Tire & Rubber Co. has been building up its chain steadily, currently has 620. B. F. Goodrich Co. had over 500 at one time; it has been weeding out the weaker ones, and now has about 458. But its long-range plans call for more. It's estimated that General Tire & Rubber Co. has about 125. And the industry expects that the ratio of company stores



CHARTING U.S. Rubber's re-entry into direct retail sale of tires are G. Raymond Cuthbertson (left) and Gerard W. Brooks.

SPECIALTY STORE built and operated by U.S. Rubber to sell its tires is one of a string it plans to strengthen distribution.



**... people hate to spend money on tires. When the day comes, a marketer better have wares available . . .**

(STORY on page 55)

to independent dealers will increase in the next few years.

• **Independent Distribution**—Like its competitors, U.S. Rubber is heavily weighted toward independent dealers. Somewhere in the neighborhood of 10,000 dealers now sell "99 44/100% of our tires," says G. Raymond Cuthbertson (picture, page 55), vice-president and general manager of the Tire Div. He adds, "We are not anxious to change that." The company has for years had a program to help independents expand or relocate and to help new dealers to get into the business. This program is continuing, he says. He emphasizes that the current project is a distribution program, not a company stores program.

• **Fresh Approach**—But times have changed and the market is on the move. What U.S. Rubber is doing underscores some of the problems confronting manufacturers everywhere. In addition, says Gerard W. Brooks (picture, page 55), marketing director for tires, the company has some fresh approaches to the merchandising of this important product, which accounts for roughly 50% of its over-all sales.

The nub of the matter is this, says Cuthbertson: Manufacturers are going to have to shoulder more of the distribution load themselves in the years ahead, regardless of what they are selling. More and more industries apparently share this conviction. You can sense it—though at a different distribution level—in such ventures as General Electric's Dealerama (page 76). Big building materials suppliers—Reynolds Metals Co., for one—have suggested that this will prove the pattern over the decades in the housing field. You can see the signs, too, toward integration in the moves of some of the oil companies to pick up retail outlets.

• **Special Problems**—Tires have some special problems, thinks Cuthbertson. Tires are anything but an impulse item. People hate to spend money on them, put off the evil day till a crisis forces them to buy. When that day comes, a marketer had better have his wares available, or he'll miss the sale.

Availability of tires of one sort or another is no problem for the consumer. Increased capacity in the industry has seen to that. So has the push of smaller manufacturers, such as Dayton Rubber Co. and Mansfield Tire & Rubber Co.

But for the manufacturer of a particular brand, availability has become more of a problem. In the first place, the mobility of the postwar population has shifted the marketing map. Some

locations that used to be good have lost their potency. More important, new blood is harder to come by. Despite programs to encourage independent dealers to move or expand, it gets more difficult to find an individual who can scrape up the \$50,000 that Cuthbertson figures is the minimum needed to get started in the tire business today.

• **Plugging the Gap**—In its battle to increase its share of the market, U.S. Rubber felt it needed to step up efforts particularly in the hot metropolitan markets. Yet these are precisely the markets where rising costs tend to discourage independent dealers. No manufacturer wants to let a market go by default. So the company must "plug the gap" with its own operations.

Independent dealers naturally tend to view such efforts with suspicion. But Cuthbertson insists that the company stores are bound to help the independents in the area. Like many of the major oil companies, U.S. Rubber expects its own stores to serve as models of how to run a dealership—with good layout, good merchandising, trained management. The standard company identification that U.S. Rubber has developed for its own stores is available to dealers, too. They'll benefit from the company's promotion in the area. And further, it hopes, the presence of a company operation will help stabilize prices. The price picture in tires, says Brooks, is almost as chaotic as in gasoline.

• **Specialty Outlets**—In moving toward its own stores in the tough metropolitan markets, U.S. Rubber thus is going along with its competition. But in carrying out this project, it is pulling sharply away from the pattern on one important count. Its stores will focus heavily on tire products and services; in effect, they are tire specialty stores.

In doing this, it is shifting from a favorite concept of the 1950s, the one-stop shopping concept. Drug stores, gasoline stations, discount houses—not to mention supermarkets—have all strayed far beyond their original bailiwick (BW—Jun. 1 '57, p90).

Most of the tire companies have gone this way, too. How much variety they sell varies with the size of their outlets. But with the bigger stores, the sky is the limit. Firestone's stores have 18 different departments, offer a total of more than 8,000 items. These include appliances—large and small—radios and television, toys, lawn and garden supplies, outboard motors, housewares. Goodyear, too, has just opened a big company store in Akron, with 8,000 items, including a separate

hi-fi room. Most of the rubber companies feel that this will continue to be the trend.

U.S. Rubber is playing it differently. "Tires are a specialty product, and they require special selling," Brooks says. His stores will carry the Royal brand of tires and tubes, and a selected line of the company's own batteries and accessories, anti-freeze, ignition parts, and the like. To pull in traffic, they may also feature fast promotional specials—bicycles, tricycles, fertilizer spreaders, say. But general merchandise, no. "We don't want miscellaneous merchandise to crowd the tires into the back where no one sees them." Besides, dealers who have broad lines to sell don't have time to sell tires.

"We are tire experts," says Cuthbertson, "and we want our stores to tell customers so. We want customers practically to stumble over them."

• **Showcase**—The whole layout of the new stores bears down on this strategy. They range in size from three-bay to six-bay outlets. Because service comes in for heavy emphasis, at least one bay will have a service lift. But some of the bays will double as stockroom and display. In effect, they serve as warehouses, all in view of the customer.

Partly, the stores have to be big to do a good selling job. When you can have as many as 30 different tires—whitewall, blackwall, nylon, rayon—in a given size, just carrying an adequate inventory is a problem. But the inventory itself will prove a merchandiser, U.S. Rubber thinks.

Right now the new stores are concentrated around Los Angeles and southern California, where car concentration is high, and population is expanding rapidly, says Cuthbertson. Shortly, they will move into the Chicago area, and from there into the other major metropolitan markets.

• **Franchised Setup**—The company has another prong to its distribution pitchfork. It is establishing a franchised setup for secondary markets. This is still on an experimental basis. This project follows more or less the general pattern of franchised outlets that are sprouting in so many lines (BW—Feb. 6 '60, p90). Of company design, these outlets will look like the stores it operates. It plans the entire package—the kinds of merchandise, the inventory, puts up the building. Then it leases the property to an independent retailer. By Aug. 1 it will have a group of six such outlets going on Long Island.

Prolonged research went into this whole program, and the company is sure it's on the right track. "We had a general merchandise store all set up," Cuthbertson says, "and we tore up the plans 18 months ago. Our own salesmen have given this specialty store idea a try. We think we can do it." **END**



## How to win local markets—anywhere

Olivetti Machine Tools decided to sell its precision-built machines in the United States. This move set up a problem, for this Italian-based company has to convince prospects that they can get *fast and dependable parts service*.

"The first thing prospects want to know about is the availability of parts," said Mr. Robert A. Blum, U. S. manager of the tool division of world-famous Olivetti. "We tell them we maintain a basic supply of parts in our New York warehouse, and this supply is kept up by a steady flow of shipments from Italy by Emery Air Freight."

"Then they want to know how quickly they can get replacement parts from our American stocks to keep

costly 'down time' in their plants to a minimum. Our answer is: we distribute parts from New York *overnight* to our customers anywhere in the United States by Emery Air Freight. And the fact that they can rely on this fast air freight service clinches the sale for us.

"Emery Air Freight is one of our strongest points in selling prospects and keeping them as customers. And another point, Emery helps us keep inventory costs to a minimum."

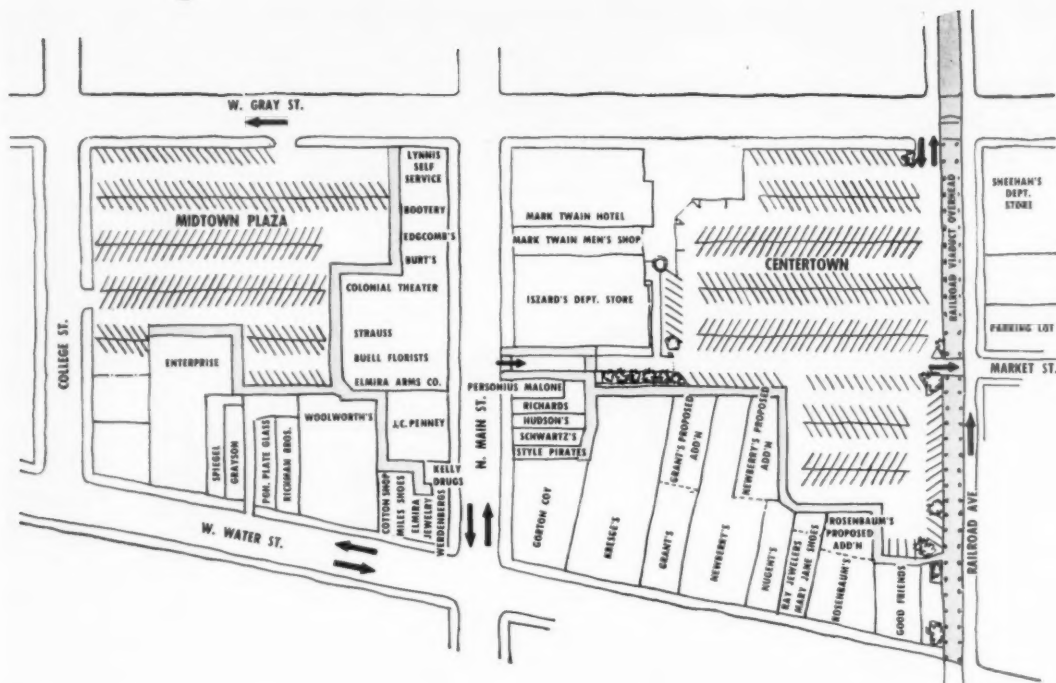
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# Elmira Reclaims Its Downtown

Store refurbishings and a novel parking plan are winning customers back to shopping section in upstate New York city.

The impact of the postwar migration to the suburbs hasn't been limited to big cities. Smaller cities—themselves only the size of suburbs of the great metropolitan areas—have been hit just as hard. They too have lost downtown business to their tiny satellite communities or to the huge shopping centers and discount houses that fringe the larger cities.

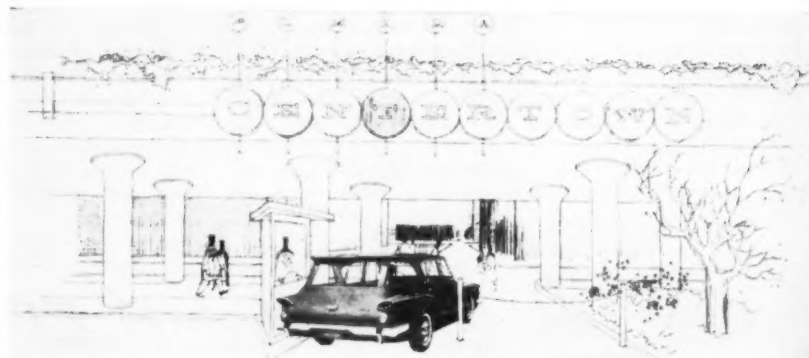
The problem is: How can the small center of a small urban area survive?

Elmira (pop. 50,000) in upstate New York thinks it may have a solution—and one that cities of similar size can afford.

Elmira improvises on the fairly widespread "Park & Shop" plan under which shoppers in downtown retail areas can park free for a period of time depending on how much they purchase. Elmira's twist is that the merchants and property owners themselves—rather than outside parking lot developers—own and run the "pilot" lot, and have persuaded the city to develop others.

• **Master Minds**—The city got into the Park & Shop act through the prodding of two native sons, builder Arthur S. Welliver and attorney J. John Hassett, Jr.

To build up new business for his







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**Weyerhaeuser**  
 (Ware'-hous-er)  
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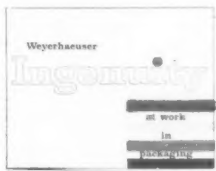
If there were a popular demand for butterfly wings, Weyerhaeuser Ingenuity would package them to give you a selling advantage.

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ling visual appeal. Working as a team, the ingenious Weyerhaeuser group welcomes challenging packaging problems.

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No matter how well you know Weyerhaeuser, this informative "Ingenuity" booklet can give you a new concept in packaging. It shows not only how Weyerhaeuser works but what Weyerhaeuser is doing today. See for yourself why working-with-Weyerhaeuser is the answer to folding cartons.



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CORRECT LUBRICATION IN ACTION...IN AN EMERGENCY!

# FROM DOUBLE DISASTER T



**ATCHISON DAILY GLOBE**  
 ATCHISON, KANSAS, MONDAY, MAY 12, 1958  
 PRICE FIVE CENTS  
 CHARLES KENNEDY, WHO DIED IN TODAY'S FLOOD, WAS THE MAN WHO INSPIRED THE "PROFESSOR" SO OFTEN QUOTED IN THIS LINE

## DEVASTATING FLOOD HITS ATCHISON

### 10-Foot Wall Of Water Razes Buildings In Downtown Area; Two Perish; Loss In Millions

**Torrent Follows Early Morning Storm; Traps Many In Their Homes**

**Atchison Will Rebuild**

Atchison, Kan., a city of 10,000 people, was hit today by a devastating flood that killed two people and caused millions of dollars in damage. The flood, which began early this morning, was the result of a heavy rain storm that hit the area late last night. The water, which was 10 feet deep in some places, razed buildings in the downtown area and trapped many people in their homes. The flood also caused the loss of many lives and property. The city of Atchison is now a scene of devastation, with buildings destroyed and streets filled with debris. The flood is expected to continue for several days, and the city is now in a state of emergency. The state has declared a state of emergency, and the federal government has sent relief supplies to the area. The city of Atchison is now a scene of devastation, with buildings destroyed and streets filled with debris. The flood is expected to continue for several days, and the city is now in a state of emergency. The state has declared a state of emergency, and the federal government has sent relief supplies to the area.

**WATER DANGER!**

**Respond To Emergency**

Action shown here recalls the 1958 flood disasters in America's largest all-electric steel foundry operated by LFM Company, Atchison, Kansas. This division of Rockwell Manufacturing Company is one of the largest valve manufacturing plants in the world and a leader in steel-casting experimental work.

**Mobil Correct**

# R TO FULL PRODUCTION !

**How Mobil helped LFM Company keep disaster costs to a minimum . . . return production to normal after two floods within three weeks.**

ATCHISON, KANSAS; JULY 1958:

*It couldn't happen—but it did!* A second vicious flood only three weeks after one had ripped through the LFM Company's plant in Atchison, Kansas.

In both floods Mobil engineers speeded emergency aid, putting in 288 hours of voluntary service, working shoulder to shoulder with LFM personnel on many aspects of the disaster problem.

- Located and sent in portable pumps to flush out contaminated oil reservoirs.
- Trained people to flush, clean and rust-proof machines and parts.
- Prepared tanks for removing rust from corroded

parts—by lining with wax, installing racks and filling with rust-removing acid.

- Obtained dispensing equipment to replace that missing.

As a result of this kind of help, 897 finished worms for motor driven valves were saved and delivered to the customer on time . . . saving LFM \$36,000. In addition, 1705 gallons of oil were identified and reclaimed. Everything possible was done to protect machines and restore normal production.

*This is Mobil Correct Lubrication in Action* in an emergency! The remarkable cost-cutting lubrication program that's helping leading industries cut costs and improve profits. Why accept less for your plant?

## SAVINGS DURING NORMAL PRODUCTION THROUGH CORRECT LUBRICATION IN ACTION !



*Drill tapping speed increased . . . tool life extended 316%.* Troublesome radial-drill tapping operation at LFM was studied by Mobil representative. He recommended use of a Mobil cutting fluid. This product increased number of holes tapped between tool changes by 316%. Tapping speed was increased 89%.



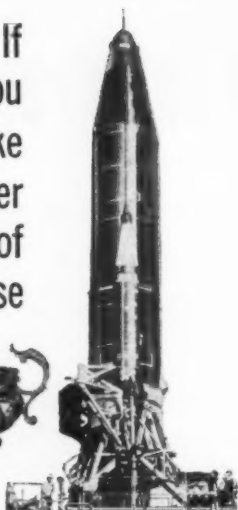
*Storage problem solved—\$11,388 saved.* Storage of un-machined castings posed problem for LFM. Outdoor storage was desirable but castings rusted, had to be sand-blasted before they could be finished. Mobil recommended rust preventive that eliminated sandblast . . . reduced handling time . . . saved \$11,388.

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Alloys for Joining Similar and Dissimilar Metals

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New York

construction company, Welliver sold a group of downtown merchants the idea of sprucing up their backyards and rebuilding old delivery ramps into new entrances for customers. Welliver noticed that partially vacant lots behind these stores were filled with cars of customers who couldn't find parking space on Elmira's narrow streets or who didn't want to run back to city lots every hour to feed parking meters. Welliver built a second front door on the back of one store at cost, hoping that the idea would catch on.

Other merchants liked the idea, but said they couldn't afford to do it on their own. Then Welliver's friend, John Hassett, came up with a plan for making the improvements pay for themselves. He suggested that the merchants band together to revamp their stores, build a parking lot, and pay for new construction out of parking revenues.

Since Hassett owns some land, as well as a men's clothing store on Elmira's busiest street, North Main, his motives were not entirely altruistic. He and Welliver enlisted seven friends who also had various interests in the city.

• **Cooperative**—Their first hurdle was to convince the merchants and the owners of the buildings—most of whom are out-of-towners—that it wouldn't be throwing good money after bad to invest in old downtown Elmira. It wasn't easy. Some of the merchants already were planning to move out into suburban shopping developments for which land already had been cleared. National chains with Elmira branches were particularly sales-resistant.

The nine promoters then asked the merchants to form a cooperative, Midtown Plaza, Inc., through which to pledge \$213,000. That would meet the cost of turning the land in back of their stores into a 265-car parking lot, covering their rear walls with an integrated facade connected to a covered walkway. Each store was required to pledge according to its floor space.

The promoters rounded up pledges from all but one store—J. C. Penney Co. wanted the city to pay part of the bill. Midtown Plaza then got a \$165,000 loan at 5% for 10 years from two banks, Marine Midland Trust Co. of Southern New York and Chemung Canal Trust Co., using the \$213,000 pledge as collateral.

• **Open for Business**—Last fall, only six months after Hassett and his friends set up the plan, Midtown Plaza opened for business. The dirty brick rears of the stores were covered with a white facade. The covered walkway protected customers from the weather; under it, stores were putting in new showcase entrances. Lighting was installed for evening shopping. And even shrubbery was sprouting here and there.

So far as the customers are concerned,

the plan works fine. A woman parking in the Midtown lot receives a ticket stub printed with the time of her arrival. Each of the member shops she visits adds a stamp entitling her to an hour of free parking for each purchase of \$2 or more.

• **Citywide Participation**—Originally, Midtown sold these stamps to both its members and non-members for 15¢ a stamp. Now, with the whole town participating, Midtown merchants buy citywide Park & Shop stamps from the city through the Assn. of Commerce. The city reimburses Midtown Plaza for stamps validated in its lot, and Midtown gets additional revenue from people who park without shopping; they pay 15¢ an hour. With this money, Midtown pays taxes, land rent, promotion and other operating costs. What's left goes to pay off the bank loans.

So far, Midtown Plaza members feel the plan is well worth the less-than-2% of sales it costs them. Several report that their sales are up from 25% to 50% over a year ago. F. W. Woolworth Co., which a year ago was drawing blueprints for relocating in a suburb, has decided not to move. In fact, it is going to spend \$300,000 to remodel. The Enterprise store is planning similar alterations. About 70% of the stores have built new showcase entrances facing the lot, and others have similar plans.

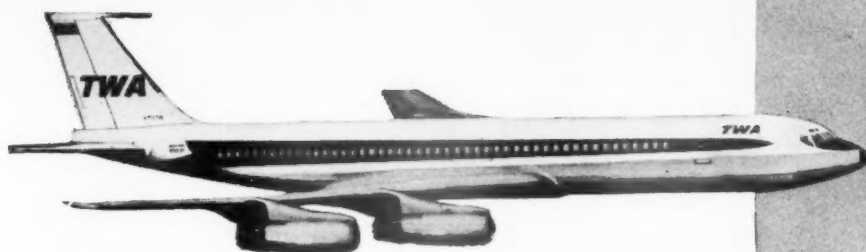
• **On the Agenda**—What has happened in Elmira is this: The city has ripped out meters in all its lots and changed them to Park & Shop, selling stamps to all merchants in town. The city also has authorized a \$1-million bond issue to acquire land behind stores on the other side of North Main and to build Centertown Plaza. This second plaza is now under construction by a group of merchants who are pledging \$250,000 to construct the parking lot and to refurbish their rear doors.

Elmira's success has roused interest in other upstate cities. In the past couple of months, Hassett's group has been invited to confer on small-city renewal in Buffalo, Niagara Falls, and Oswego.

As for Welliver—who got the construction contract for Midtown—and Hassett, their main concern is that Park & Shop continue to be actively promoted by the city, the Assn. of Commerce, and individual merchants. About 20% of the parking revenue is set aside for promotion, but, Hassett says, "It's up to each merchant to make this work. In some stores the customer still has to ask to get his parking stub stamped. That shouldn't be the case."

Hassett's group is promoting two other projects in Elmira: another merchant-operated lot, and a 1,000-acre industrial park on the outskirts of the town. **END**





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## U. S. Steel Tries Comic Tack . . .



## . . . To Put Bounce in Bed Springs

Not enough families are buying beds and not enough farmers are buying fences to suit U. S. Steel—its American Steel & Wire Div. isn't selling enough wire products.

So Big Steel has decided to carry on a big promotional campaign in the nation's bedrooms and pastures.

• **Bedroom Campaign**—Last week, U. S. Steel, in cooperation with the National Assn. of Bedding Manufacturers, started its bedroom campaign with a Space for Sleeping promotion. The company unveiled a window display in the East Ohio Gas Co. building in Cleveland. It features a giant 82-in. by 78-in. double bed and oversized 82-in. by 39-in. twin beds—which, of course, require more than the standard amount of wire springs. USS also is offering a booklet, *Wonderful, Wacky World of Sleep . . . and How to Buy the Stuff It's Made Of*.

The pitch Big Steel will use to get people into roomier beds is that more space is needed for healthier sleep. Today's standard double beds give each partner only 27 in. of space; USS says they need 39 in. It says people are getting taller and quotes colleges as saying that women's feet are getting bigger.

• **Pitch to Farmers**—USS also feels that sales of fencing to farmers could stand improvement. About 500,000 tons of steel went into fencing in 1950; now only 200,000 tons are used. That's because fields and pastures are bigger now, hence require less fencing, and farmers have been raising livestock by confinement methods. Big Steel hopes to overcome these adverse factors by educating farmers through retail dealers on the values of (1) grazing rather than confinement feeding and (2) fencing pastures into smaller areas for heavy grazing. **END**

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Systems competence in design, implementation, structural construction, installation, operation, training, and maintenance of:



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2. Transportable electronics systems



3. Instrumentation, control, and switching systems



4. Telecommunications systems



5. Integrated land, sea, and air communications systems



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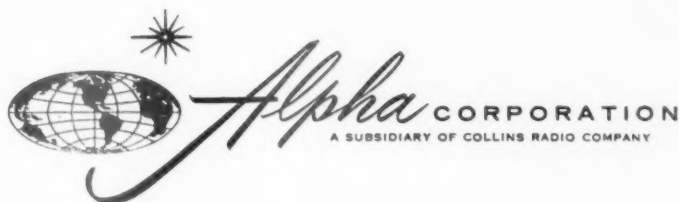
BUSINESS WEEK • Apr. 16, 1960



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# For '60: Less Suit, More Suits



**MODEST BIKINI** by Rose Marie Reid can be made even more modest by release of strategic buttons and tabs. RMR calls it a "bikini with a conscience."

That's the latest sales pitch of the swimwear industry, which hopes the modified bikini will stir sales.

American women's figures are improving, and there will be more of them showing on the beaches and around the pools this summer. Swimsuit makers are selling more bare-midriff styles than they have in years, and the bikini is gaining its greatest acceptance yet.

Both styling and style changes mean a lot to the manufacturers. The farther they can lead women from the merely utilitarian sports uniform, the more suits they can sell per woman.

The first step was to popularize swimming, as opposed to wading and splashing. That brought more women to the beaches more often, stirred the first desires for a small wardrobe of better-looking costumes. But it was only when society accepted greater exposure that swimming and beach-lounging really caught on. The final touch in creation of a significant industry was the devel-

opment of "interior engineering" that molded the swimsuit into a fashion garment.

Now American women expect a suit "with the fit of a foundation garment and the glamor of an evening gown," to quote an early slogan of Rose Marie Reid, one of the Big Four makers.

• **Diluted Bikini**—The swimsuit people aren't saying flatly that the bikini will be the next big step—at least not the Continental string-and-kerchief style associated with Brigitte Bardot. They know American women, even the relative few with the figures to wear the minimum with a flair, shy away from such designs or are barred from them by disapproving husbands. They have more hope for favor from boy friends. Kincaid's sportswear shop in Beverly Hills, Calif., urges in advertisements: "Buy your girl a bikini—it's the least you can do for her."

The bikini the manufacturers are talking about is a "convertible," with drawstrings or bows on the sides of the trunks and the middle of the bras to adjust the coverage to taste and circum-



**THE REAL** Rose Marie Reid practices what she calls "imagineering" by draping material on a model to create a new suit design.

**COLE SHOWING** is held in home of Pres. Fred Cole, built on Tahitian motif. Advertising Manager Barbara Kelly, left, is narrator.





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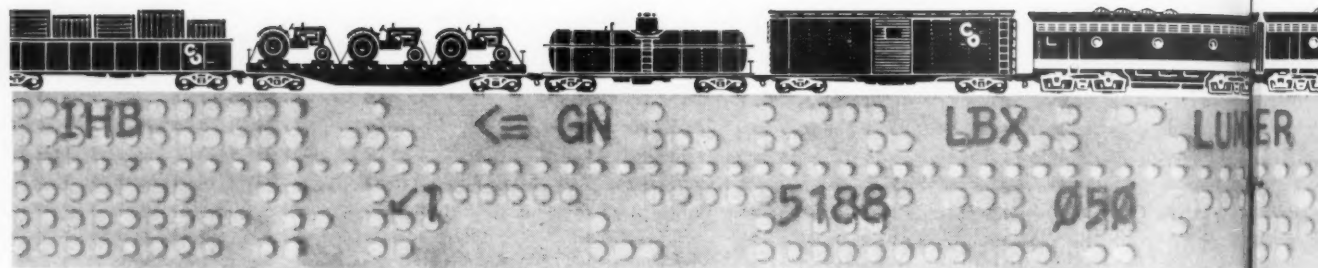


**JANTZEN TRAINS** salesgirls at Bullock's, Westwood, Calif., to guide shoppers as to which suit styles are best for their figures.



**CATALINA** has long pushed the California "outdoor living" theme. It says 9% of sales are in the barer styles.

# C AND Outstanding



## Prompt reporting on your car... by

Every day C&O's CLIC (Car Location Information Center) dramatically demonstrates on-the-spot benefits to shippers and receivers.

This modern combination of electronic tape, teletype and alert people is another example of C&O's *Outstandability*. It provides in a matter of minutes, a dependable report on *your* car . . . where it is, where it's going, when it will get there. CLIC prompt reporting is in step with modern distribution. Gives you production and manpower scheduling economy, helps inventory control. It facilitates reconsignment or diversion of your car.

CLIC is just one of C&O's railroading innovations. Specify your shipment over The Chessie Route, and put them to work for you.

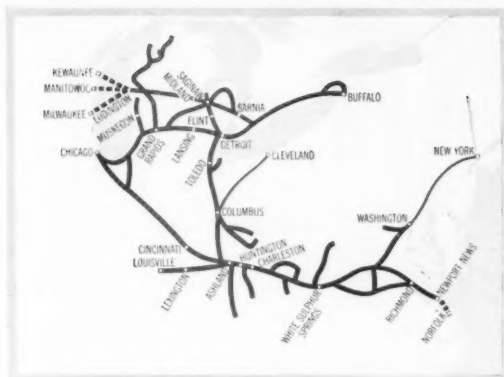


### Chesapeake and Ohio Railway

TERMINAL TOWER, CLEVELAND 1, OHIO

*Outstandability in Transportation*

# ability



ar... by Chessie's CLIC



CLIC reports to every one of C&O's 56 coast-to-coast, Canada-to-Gulf freight offices. CLIC's prime function, keeping customers informed, is performed over 30,000 miles of teletype circuits in contact with 238 sending and receiving points throughout the country.



Car Location Information Center reports fully on your car as soon as it moves on the C&O Line. CLIC means fast service in diverting shipments . . . prompt spotting of empties for quick availability.

# FORMULA FOR TOMORROW

# Modern

## THE MACHINE TOOL EXPOSITION - 1960

# Machine

INTERNATIONAL AMPHITHEATRE

CHICAGO, ILLINOIS

SEPTEMBER 6-16

# Tools

NATIONAL  
MACHINE TOOL BUILDERS'  
ASSOCIATION

# Production



# Efficiency

stance. Even the briefest of the new U.S. bikinis incorporates the built-in bra, as encouragement to the woman with the less than perfect figure.

- **Engineering**—Without "interior engineering" the swimsuit industry could never have reached such a mass market as it has today. Makers have convinced a majority of women that they can mask any figure defect—by use of built-in bras, girdles, stays, strategic cut of material, and camouflage.

"Puts every inch you own in just the right places," says a Rose Marie Reid slogan.

"Free with every Cole swimsuit, a beautiful new shape," says Cole of California.

Each year brings innovations: a way of draping that makes hips look smaller, new bra designs, a new material that allows greater freedom or dries faster. Along with fashion trends—strapless suits, bloomer styles, boy shorts, turtle necks, brief pleated skirts, the maillot, and offbeat materials such as velvet with sequins—these changes tend to make last year's suits obsolete. They also heighten the need to have several suits instead of one, to fit various occasions.

- **More Outdoors**—Manufacturers are pushing the idea of a wardrobe of suits, an idea that Rose Marie Reid expresses: "One for swim, one for sun, and one for psychology"—paraphrased for the teen-age market to end "one for sigh-chology." And the growth of swimming pool ownership encourages this idea.

A Rose Marie Reid study shows that the number of swimming pools, commercial and private, rose from 42,000 in 1954 to more than 200,000 at the end of 1959. "Swimsuits are being worn more hours of the day and more days in the year," says Fred Cole, Cole of California's president.

Vacations are longer, and travel easier to warm-weather resorts. Then, too, the war and postwar babies are reaching the age of maximum swimsuit-buying. Teen-age girls are credited with buying at least one out of every four suits sold, and they average three or more suits a year.

- **Encouraging Bareness**—Worldwide travel is improving the acceptance of briefer suits. After a visit to the Riviera, more American women are considering suits that might have shocked them previously, though most still demand foundation-garment features. Moreover, many women who wouldn't dare to wear even a modified bikini among their own crowd at the club or the beach will throw caution to the winds while off on a resort vacation. Still others will buy a bare style to use strictly for sunbathing around their own pools, "where no one will see me."

Gladys Mensh of Jantzen, Inc., says that American women's figures are better than they used to be. Women are



# What is Ryder System?

Ryder System, Inc. is one of the fastest growing companies in the U.S. The Ryder companies employ 5900 people in 36 states and two foreign countries. Their revenue rate is now more than \$100 million a year.

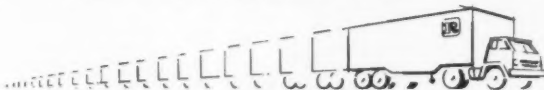
Primarily, Ryder System through its subsidiaries is active in two fields—trucking and truck leasing.

It owns truck lines operating from the Atlantic Coast to the Middlewest, and a nation-wide truck rental and leasing network . . . owning a total of 25,400 vehicles. Other subsidiaries are active in leasing industrial and business equipment. Recently, Ryder entered the field of manufacturing equipment related to the transportation world.

## *an "uncommon" common carrier*

Ryder's Common Carrier Division operates 3492 tractors and trailers serving a 26-state area with its corners at Florida, New York, Minnesota and Texas. What makes it "uncommon" is its remarkable growth. Its revenue rate is \$46 million annually . . . an increase of over 100% in just 5 years.

Ryder Truck Lines are distribution carriers serving cities in a ten-state area from Virginia to Texas.



Ryder Tank Line, a carrier of petroleum, chemicals and related products, serves the larger area.

Pending before the I.C.C. are applications to acquire other lines, enabling Ryder to serve an even greater number of communities with greater efficiency.

With an ever increasing number of cities served by no other means of transportation, the potential for this division is virtually unlimited.

## *the Ryder leasing package concept*

Ryder Truck Rental, Inc. with 16,000 trucks and now doing business at an annual rate of \$53 million, dates back to 1933. Lately, it has added materials handling equipment and 4,000 cars to its lease plans. Ryder retains ownership of the units, insures them, paints them to specification and provides complete maintenance. The lessee supplies only the driver and retains complete control of use. Thus Ryder provides the means of transportation for personnel and products in the plant or over the highway with one monthly budgetable cost. This division, with main branches in over 100 key cities in 31 states and Canada, continues to expand rapidly.



Truck leasing, still an infant industry, is growing fast. Only 2% of registered trucks are leased, but an estimated 40% are prime Ryder prospects.

*More about leasing*—Ryder also leases business equipment and other capital goods to create a leasing package unique in American business and industry. Ryder's subsidiaries in the general leasing field own or act as broker for over \$30 million worth of this equipment.

In the process, Ryder has acquired strong fiscal experience and backing which is helpful in setting up any kind of pay-as-you-use plan for leasing any equipment a business may need.

## *coordination coming*

Through its carriers, Ryder is working on the development of many new areas of transportation coordination to achieve greater efficiency and economy. These include: Cooperation with railroads for pick-up, delivery and piggy-backing; joint rail and truck stations for single handling of less-than-truck-load freight; interchangeable containers for highway, rail, water and air cargo.

New and active is the department of Research



and Engineering under the direction of one of the country's most outstanding automotive engineers. It works with manufacturers who supply material and equipment in the automotive industry, trains personnel, and develops policies on maintenance. The Ryder operating companies spend at the rate of \$50 million a year, and this department's responsibility is to gain the maximum purchasing benefits, utilization and servicing economy for Ryder System.

## *stock widely held*

Ryder System has been publicly financed for six years. Today, Ryder ownership is represented by approximately two million shares of common stock held by over eight thousand shareholders in all



fifty states and in several foreign countries.

Ryder is growing at an annual rate in excess of 25%. With such a record of achievement and such prospects ahead, the future is bright.



Write for copy of 1959 Annual Report

**RYDER SYSTEM, INC.**

Dept. E2

P.O. Box 33-816, Miami, Florida

*New*

# LET THIS KIT INTRODUCE YOU TO "POP"<sup>®</sup> RIVETS



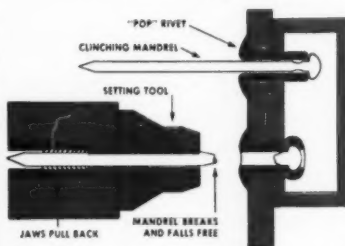
It Can  
**SAVE**  
Your  
Company  
Thousands  
of Dollars!

**\$19.95**  
ONLY PREPAID

Management men seeking a better, quicker and less expensive way to fasten products will put this idea Kit to work now in their design and methods engineering departments . . . where it can prove what thousands of companies already know — that "POP" Rivets can save over 50% on installed rivet costs — improve quality, speed production.

With this Kit your design engineers can experiment with simplified product design, study vibration effects, clearances, or fastener appearance. Methods or production men can try assembly-line changes on the spot. Time study analysts can make direct installation comparisons.

Assembled as an inexpensive means of introducing management to the "POP" Rivet fastening system, this new Kit contains everything needed — instructions, rivet assortment, hand pliers for setting rivets, — plus idea material.



**How "POP" Rivets Work.** They're installed and set from one side. A hollow rivet is pre-assembled on a solid headed mandrel which is used to set the rivet. Mandrel head is larger than end of rivet. When the head is pulled into the rivet with setting tool, the mandrel head clinches the rivet. Mandrel breaks near head under tension when rivet is set. Both hand and production power tools are available.

Order Your "POP" Rivet Idea Kit Now. Provide your staff with the advantages of a better blind riveting method. It can save thousands of dollars in fastening costs.



NOTE: Kits will be shipped immediately from Shelton, Conn. or, wherever possible, from your local supplier.

## "POP" RIVET DIVISION

United Shoe Machinery Corporation  
114 River Road, Shelton, Conn.

Attached find ☐ check ☐ purchase order

for . . . . . "POP" RIVET Kits No. 100 @ \$19.95 prepaid.

NAME . . . . . TITLE . . . . .

AFFILIATION . . . . .

STREET . . . . .

CITY . . . . . ZONE . . . . . STATE . . . . .

interested in maintaining trimness, as attested by the popularity of articles on diet and by the rise of women's gyms and reducing salons all over the country. This attention pays off, she says, in many more figures that can wear the briefer two-piece suits.

• **Growth Industry**—In the generally erratic garment industry, the swimsuit business stands out as a growth business. Ten years ago, the industry sold about 8.3-million women's swimsuits; last year, about 14-million. And quality—reflected in price—has risen at an equivalent rate. Sales total more than \$200-million a year.

The Big Four account for about half of these sales: Jantzen, Inc.; Rose Marie Reid; Cole of California, and Catalina Div. of Kayser-Roth Corp. The remaining business is divided up among more than 100 smaller companies.

Rose Marie Reid, the newest of the Big Four, sold \$400,000 worth in 1946, its first year in business. This year it expects sales to reach \$18-million. That would mean 1.5-million suits, compared with 350,000 in 1950.

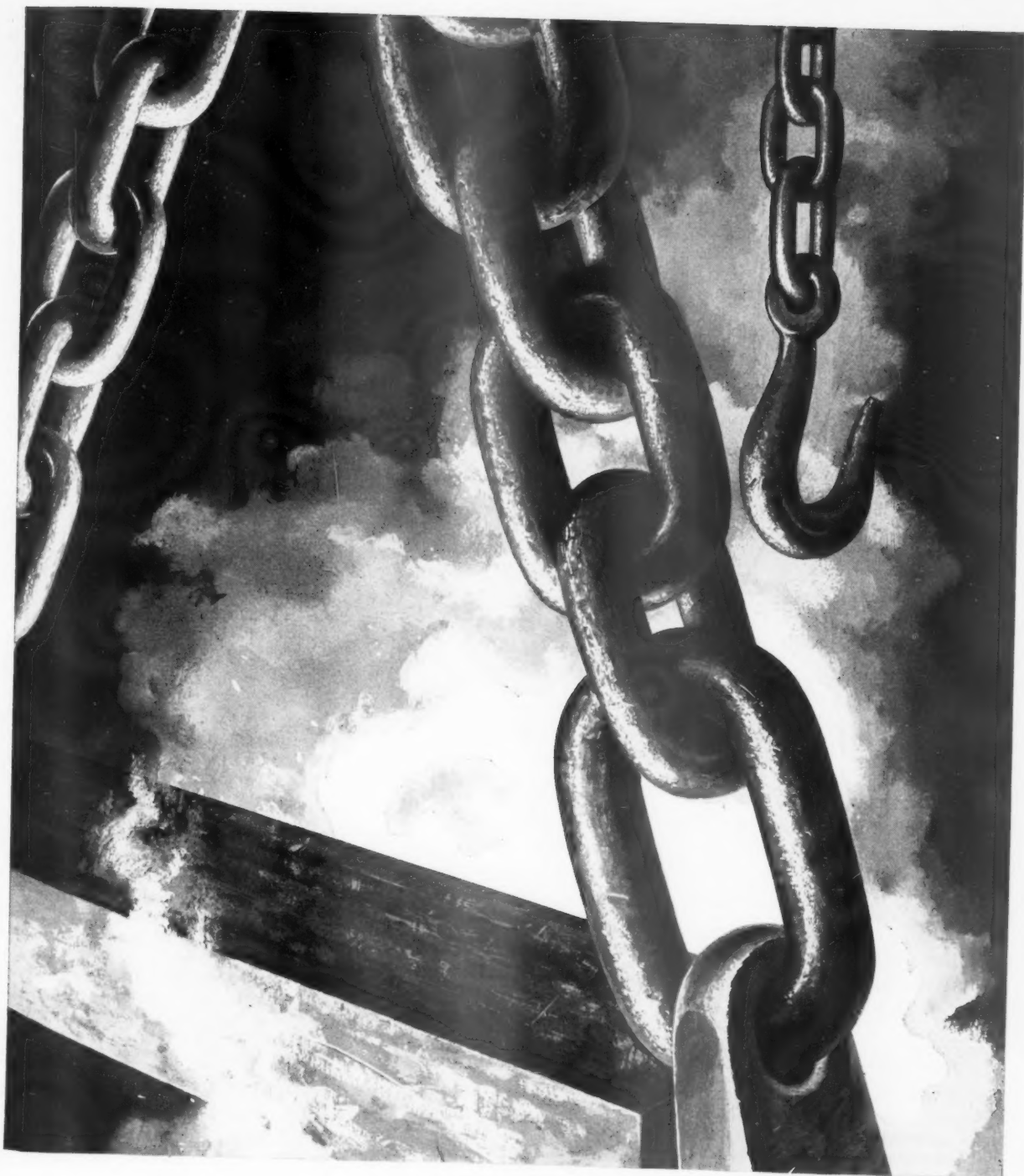
Cole of California is also selling about 1.5-million suits, compared with 10,000 in 1927. Catalina expects this year to be 25% ahead of last year, and 3½ times the volume of 10 years ago. Jantzen had a big slice of the market already in 1950, but its sales more than doubled in the next 10 years.

• **Beginnings**—Jantzen, celebrating its 50th anniversary this year, claims to have developed "the suit that changed bathing to swimming," and its diving-girl trademark is among the oldest and best-known marks in the apparel industry. Founders Carl Jantzen and John A. Zehnhauser (now chairman of the board) built the Jantzen empire from a small knitting mill.

Catalina also started as a knitting mill, making knitted undergarments and sweaters. In 1912, it turned to knit swimwear, now claims to be the largest manufacturer of swimwear in the world.

Fred Cole abandoned a career as a movie actor in Westerns to set up Cole of California on the foundation of a struggling maker of men's long underwear. He introduced knit suits in vibrant California colors. He also got into trouble—and won a lot of publicity—by lowering the backs of Cole suits by 8 in., to the horror of some municipal beach censors. (Swimsuits now plunge 20 in. or more in the back.) Later, his chief designer, Margit Fellegi, brought out suits in new fabrics and a new process, Matletex, capable of shirring even such fabrics as cotton print or velvet with Lastex thread.

Rose Marie Reid herself made a name as a designer in Vancouver, B. C., who had an eye for both fit and fashion. She patented a special back band,



## THE HEAT'S ON...

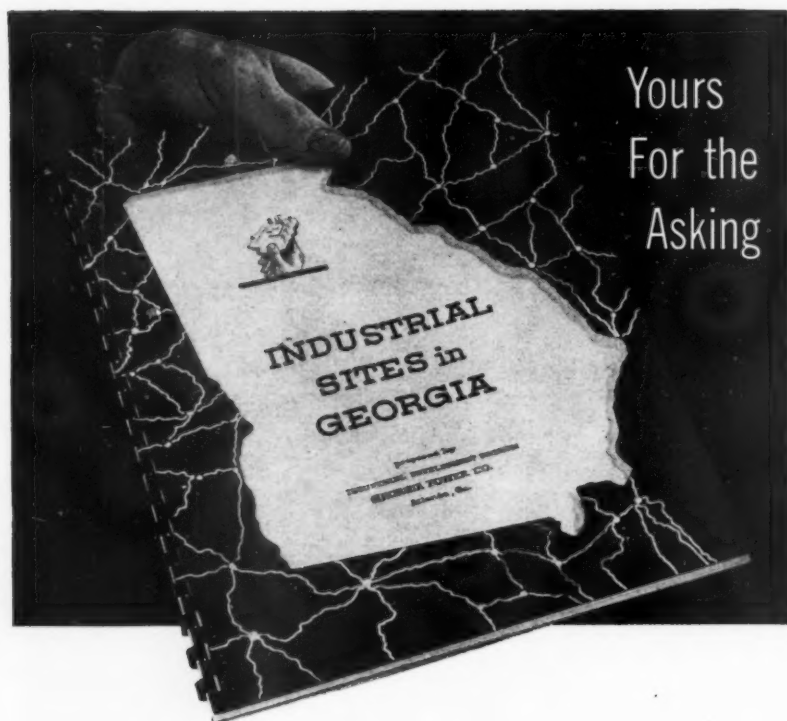
but no matter how hot it gets, Campbell Chain can take it. Fact is, Campbell Chain is made for use under all conditions. Campbell makes a *complete* line of quality chain and chain assemblies—both welded and weldless—in every size and grade. And the Campbell nationwide network of factories and warehouses assures you immediate delivery and service. **CAMPBELL CHAIN COMPANY.**

**FACTORIES:** York, Pa.—West Burlington, Iowa—Union City, Calif.—**WAREHOUSES:** East Cambridge, Mass., Atlanta, Ga.—Dallas, Texas—Chicago, Ill.—Seattle, Wash.—Portland, Ore.—Los Angeles, Calif.

**THE ONLY CHAIN COMPANY WITH FACTORIES & WAREHOUSES COAST-TO-COAST**







## See the Sites of Georgia in this Directory of choice plant locations

This 79-page book contains complete information about the best industrial sites currently available in Georgia. There's an aerial photo of each site, together with a description of the land and its locality, and detailed information about utilities, transportation, water supplies, population, labor supply and other essential data.

Anyone concerned with plant location will find this latest edition of *Industrial Sites in Georgia* a valuable reference.

Write for your free copy today—in confidence, of course.

### ANOTHER USEFUL REFERENCE...

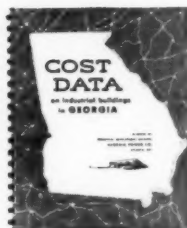
A companion to the book described above is our *Cost Data on Industrial Buildings in Georgia* containing photographs, detailed specifications, and cost data on many recently constructed plants in Georgia. It's yours for the asking.

E. A. YATES, JR., Vice President

## GEORGIA POWER COMPANY INDUSTRIAL DEVELOPMENT DIVISION

Box 1719K, Atlanta 1, Ga., Phone: JACkson 2-6121

A COMPLETE, CONFIDENTIAL SITE-SELECTION SERVICE FOR INDUSTRY



cut on the bias, to eliminate gapolis. Right after World War II, Nina Kessler of Seattle was making special trips to Vancouver to buy Reid suits, and she told her husband, a sportswear salesman, about Miss Reid. Jack Kessler half-jokingly suggested to Miss Reid that they go into business together. Somewhat to their own surprise, they did just that, with Kessler as president and Miss Reid as designer.

• **Fashion Angle**—Today's suits are designed to look as good beside the pool as in it. J. W. Robinson's department store in Beverly Hills recently summed it up in a campaign boasting "Slink or Swim" fashions. Such famous designers as the late Christian Dior, for Cole of California, and Givenchy, for Jantzen, have fashioned swimsuits. More use is made of high-fashion fabrics, such as satin and velvet, with sequins and beaded effects.

The days of buying one \$6 suit to last for two or three seasons are long past. Manufacturers today encounter little resistance to an average retail price of \$19.95. Cole of California offers a bejeweled satin Lastex creation to sell for as much as \$89.95. Rose Marie Reid annually issues a "Limited Edition" line, this year ranging from \$25 to \$55, made in quantities so small that a wearer is hardly likely to meet herself coming.

So far, the two-piece bare-midriff suit is still swimming upstream. In Cole's sales, for example, only 18% of volume is in two-piece suits, and a mere 4.3 points of this percentage is in bikinis. However, two-piece suits make up only 12% of Jantzen's line yet account for 22% of sales. Catalina estimates that about 9% of sales is scored by the bared suits, and Rose Marie Reid, about 7%.

Over-all, the major manufacturers feel this is a good showing for a relatively new style.

• **Broad Appeal**—Manufacturers rely on the briefer suits as primarily another way of broadening their product lines, of appealing to all tastes and generating new demand. Their goal, of course, is to level out their business year.

They're doing it by making a play for off-season resort and cruise business and by branching out into related playwear, beach accessories, sweaters, and all-season apparel.

Ironically, all the major makers export swimsuits and license foreign manufacturers to make their designs. As a result, more women abroad are becoming convinced that the U.S. West Coast (Jantzen is in Portland, the other three majors in Southern California) is the swimsuit capital of the world. And as more American women are finally adopting the bikini, even in modified form, more European women are beginning to wear the American-styled one-piece suit. **END**





## Whose famous hands?

*And how does Robertshaw  
give them the touch of  
everyday magic?*

Many a batter knows to his sorrow the magic of these hands. They've pitched over 230 victories. Last year they won the major share of pitching honors in the National League.

Off the mound, too, these hands share with your own the power of modern, everyday magic. For, working with them at home, on the highway, or on the production lines that turn out hundreds of the products they use, you'll find the auto-magic of Robertshaw controls. Controls that give all of us the touch of everyday magic in this increasingly automatic age.



The famous hands after the game summon a refreshingly hot shower with the twist of a wrist. For even in a ball park shower room . . . with its sudden heavy demands and long periods of disuse . . . the "Instantrol" heater made by Robertshaw's Fulton Sylphon Division in Knoxville, Tennessee, automatically assures hot water on the instant!

To check your identification of these famous hands see page 182.

**Robertshaw**  
**CONTROLS**  
ROBERTSHAW-FULTON CONTROLS COMPANY

Executive Offices: Richmond 19, Virginia • Eight U. S. Divisions • Subsidiaries and/or affiliates in Canada, Western Germany, Italy, Brazil, Mexico and Australia.

# In Marketing

• • •

## GE Puts Small Appliances in Trailer To Show Them Off to Small-Town Dealers

General Electric Co.'s Housewares Div. is going to hit the road next month in a 45-ft. trailer carrying its full line of small appliances right to the doors of its dealers.

The mobile display will begin its run by visiting some 130 towns with up to 25,000 people in 12 Southeastern states. "The Dealerama," says M. M. Masterpool, advertising manager, "was designed to revive interest and activity of retailers who have handled or now handle our products and to interest other retailers who can give us added distribution."

Distributors aren't being sidestepped (any sales made to dealers will be credited to the area distributor), but GE thinks it is necessary to give greater exposure of its line to dealers. The plan is eventually to have a total of three vans on the road 10 months each year. Consumers probably will get a chance to see the display.

• • •

## Retail Price-Fixing Frowned Upon By State Court as Unconstitutional

Minnesota's Supreme Court has declared the state's 23-year-old fair trade law unconstitutional. This is another victory for discount houses against the non-signer clause, in which a price maintenance agreement between a manufacturer and even one retailer in a state becomes binding on all retailers in the state.

Justice William P. Murphy reversed a lower court decision against Gem, Inc., a Bloomington (Minn.) store that fought an injunction granted to Remington Arms, Inc., to prevent the store from selling firearms and ammunition below the manufacturer's list price. In his decision, the judge said: "The purported authority to fix prices is an unconstitutional exercise of legislative power."

Meantime, appeals are pending in the supreme courts of both Oklahoma and North Carolina on lower court rulings that also held fair trade laws unconstitutional.

• • •

## Montgomery Ward's Summer Catalogue Shows Average Price Cuts of 8.2%

Montgomery Ward's summer sale catalogue, mailed last week to customers throughout the country, shows an average price reduction of 8.2% on 20,000 merchandise items, according to company estimates. It also reflects the average family's pattern of living: Most of its pages are devoted to "fun in the sun" themes for leisure-time goods. Steaks by mail (BW—Feb. 20 '60, p40), picture window tents, and recreation wearing apparel are among the catalogue listings.

Aldens, Inc., is mailing its spring sales catalogue showing an average price cut of 5.1%. One new line: an 11-ft. sailboat priced below \$100.

Meantime, major shoe manufacturers in St. Louis announced lower prices for shoes. International Shoe Co. said some children's shoes will be cut \$1 a pair at retail, while some men's work shoes will go for as much as \$1.50 less a pair at wholesale. Samuels Shoe Co., high fashion women's manufacturer, said average cuts will amount to about 3%. Brown Shoe Co. says it isn't cutting prices, at least for now, but that it is broadening its line of lower-priced shoes.

The price cuts reverse last year's trend when shoe prices were increased by about 7% in two hikes. Both Brown and International attribute the lower prices to cheaper costs of leather and not to any softening of business.

• • •

## Playwrights Take a Squint at Admen In Two Shows—One Closed, One Opening

Advertising agencies are undergoing appraisal from yet another art form: Their foibles are being explored on the stage this spring. Gray flannel suits and hacksterism—mainstays of novel and movie fare in recent years—provided the atmosphere for two Broadway productions, *Viva Madison Avenue* and *Mad Avenue*.

"Viva," authored by Young & Rubicam copywriter George Panetta, opened and closed last week after a rough reception from the critics. Panetta took a new tack—"I tried to show that people in advertising aren't sinister, they're more childlike," he says. *Mad Avenue*, a musical, opens in New York in June.

• • •

## Lucky Winner of Franchisers' Contest Gets a Business—and a Trip to Russia

In days when promotions come a dime a dozen, the International Franchise Assn., newly formed group of franchising companies (BW—Feb. 6 '60, p90), has one that has everything: The prize winner gets not only a complete new business but a practical sermon on the advantages of free enterprise.

The contest, called "Win a Chicken Delight Business," will take place in conjunction with the Start Your Own Business Exposition, to be held in Los Angeles May 19-23. The franchising company is offering scot free to the winner a Chicken Delight store, equipped, and ready for business.

To dress up the occasion further, the plan is to have a Presidential candidate—unspecified—draw the lucky number.

And, for a final fillip, the association itself is sponsoring a trip (blessed by the State Dept.) to Russia for the winner, so he'll have a chance "to compare the capitalistic free enterprise system with that of Communism."

A number of companies, suppliers to the Chicken Delight store, are also backing the contest.



better way  
to send  
kisses

Matter of fact, the very *best* way to send Hershey's Chocolate Kisses is in sturdy corrugated boxes.

For years, such leading products have received economical protection from quality shipping boxes made by West Virginia's Hinde & Dauch Division.

Besides insuring safe transit, these versatile boxes serve as advertisements. Colorful printing creates strong product identity at every level of distribution.

H & D's complete packaging service goes beyond mere boxmaking. Customer companies achieve real savings through H & D technical packaging service

and new product development. This is another example of how West Virginia is serving customers with exceptional quality and economy.

Through expenditures for research of over \$3,000,000 annually and virtually total utilization of raw materials, West Virginia produces outstanding quality with unusual efficiency.

If your company needs a corrugated box supplier who can deliver the goods, check with the Hinde & Dauch Division, West Virginia Pulp and Paper Company, 230 Park Avenue, New York 17, New York.



**West Virginia  
Pulp and Paper**



Colorful Sran-Steel Buildings...and

# NATIONAL STEEL

Color brightens the boom in pre-engineered steel buildings that are springing up across America in business centers, on farms and in industrial areas. Combining beauty with utility, these fast-rising new buildings are made by the Sran-Steel division of National Steel.

**Color**—factory-applied baked on coatings of vinyl-aluminum—is a Sran-Steel first. It lasts and lasts, protects as it beautifies and costs less than you'd spend for paint. And these sturdy structures allow a wide variety of architectural treatments, blend

beautifully with stone or brick or glass.

But appearance alone doesn't account for the growing popularity of Sran-Steel buildings. Basic cost is low—often substantially less than the cost of comparable conventional construction. They go up in weeks, not months. Their interiors permit fullest use of all enclosed space. They adapt to changing needs; new sections can be added at any time and dismantled parts used again. What's more, Sran-Steel offers the most complete line of pre-engineered buildings on the market.

First with protective color coating . . . foremost in precision engineering . . . National Steel is setting the pace in modern construction with steel buildings that are colorful, long lasting and easily adapted to specific needs. For complete literature write Sran-Steel Corporation, Detroit 29, Michigan.

*This STEELMARK of the American steel industry tells you a product is steel-made, steel-modern and steel-strong. Look for it when you buy.*



**NATIONAL STEEL CORPORATION, GRANT BUILDING, PITTSBURGH, PA.** Major divisions: Great Lakes Steel Corporation • Weirton Steel Company  
Midwest Steel Corporation • Sran-Steel Corporation • Enamelstrip Corporation • The Hanna Furnace Corporation • National Steel Products Company



## PRODUCTION

# Pre-Stressed Concrete For Railroad Ties

The machine pictured at right does a job no other machine in the world can do. It automatically produces pre-stressed concrete railroad ties (picture below). And its operator, American Concrete Crosstie Corp. of Tampa, Fla., hopes it will ultimately also produce a new \$200-million-a-year industry, supplying the railroads' needs for replacement of wooden ties.

U.S. railroads now spend around \$150-million a year to replace 25-million ties with other wooden ties. Creosoted wooden ties last 25 or 30 years in average environment, much less in wet areas. If concrete ties turn out to last 50 years, the railroads' replacement costs would be sharply reduced.

Concrete ties—at least to begin with—cost about twice as much as wooden ties, but they are (picture, below right) more widely spaced, fewer per mile. Adding up all these factors gives Douglas P. Cone, American Crosstie's 31-

year-old president, his estimate of \$200-million sales.

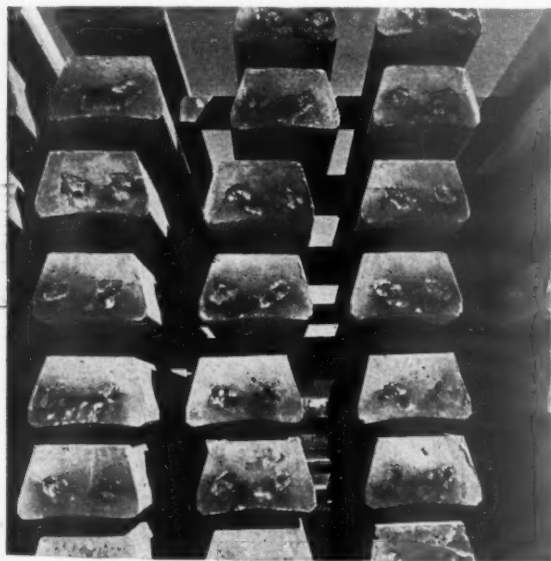
• **No Orders Yet**—Cone and his brothers own Cone Bros. Contracting Co., Tampa Sand & Material Co., Florida Pre-Stressed Concrete Co., and other interests that bring in about \$30-million a year. He formed the concrete tie company last September, with encouragement from the Assn. of American Railroads, whose research department has been running lab tests on various types of concrete ties since late in 1957.

So far, Cone has no orders but a lot of interest among railroad men. A few weeks ago, 150 representatives of about 40 railroads came to see a quarter-mile test section of Seaboard Air Line RR near Tampa (picture). Another test section is on Atlantic Coast Line RR near Four Oaks, N. C.

Concrete ties are used extensively in France, Germany, and other countries. But these ties are too costly by U.S.



**PILOT MODEL** of automatic casting machine gets load of dry concrete mix, turns out one railroad tie every 26 seconds.

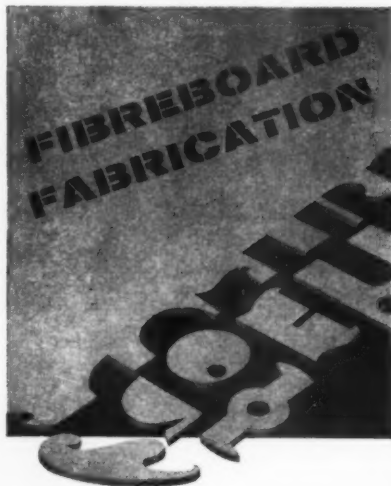


**FINISHED TIES**, stacked in yard, show scars of exposed ends of the four pre-stressing cable sections in each tie.



**RAILROAD OFFICIALS** inspect quarter-mile test section of Seaboard Air Line tracks near Tampa.

# product costs getting out of hand? look at...



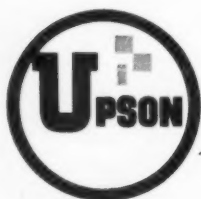
## NEW EXPANDED SERVICES and PRODUCTS:

Upson works near-miracles with Fibreboard Fabrication replacing more costly metal, wood, and plastic materials. Upson saws, cuts, slits, die-cuts, punches, and drills accurate finished panel parts for hundreds of manufacturers.

A wide variety of special new grades, thicknesses, surface textures, and COATINGS impart miraculous new qualities to Fibreboard, including waterproofing, fire retardence, and surface hardening.

Our expanded service increases quality, helps you cut costs, eliminates need for large inventory, and helps you avoid price fluctuations. Come to headquarters for Fibreboard Fabrication.

Send for **FREE** explanatory booklet or write describing your fabrication problems. Industrial Division, The Upson Company, 650 Upson Point, Lockport, N. Y.



**50th YEAR**

... concrete crossties will cost about \$2,000 per mile more than wooden ties ...

(STORY on page 79)

standards, and they aren't suitable for the heavier loads.

• **Expensive Item**—L. E. Bates, chief engineer for Atlantic Coast Line, points out that in the early days of railroading, the cost of ties was negligible. As the roads extended their trackage, they could make the ties from the trees they cut in clearing the way; later they could cut ties from timber along the right of way. Today, Bates says, in a given length of track, the cost of ties is second only to the cost of the steel rails, exceeding the costs of labor, hardware, wiring, ballast, and other items.

Wooden ties today run \$4 or \$4.50. American Crosstie is talking of a price around \$9. Estimates indicate that a mile of track with welded rails will cost about \$2,000 more with concrete ties than with wooden ones. The test sections already in service are expected to show if this initial extra cost is justified by savings in maintenance and by the improved ride that concrete ties give to welded rail.

• **Pre-Stressing**—To pre-stress concrete, the steel reinforcing rods or cables are stretched while the concrete is setting. When the tension is released, the concrete itself is put in compression, much as you can pack a row of books by pushing in on the end volumes as you pick them up.

Standard pre-stressing techniques years ago proved too costly for ties—the price would have to be around \$14 a tie.

"We realized the potential market for these crossties about five years ago," says Cone, "but we dropped the idea then because it wasn't economically feasible with the methods known." Only an automatic machine could reduce unit costs, Cone decided, so he hired Robert S. Baker, a mechanical engineer with experience in concrete work, to design such a machine.

• **How It's Done**—Baker's machine automatically feeds four cables into a steel form, cuts them to length, and grabs each end with a special gripper. A hydraulic jack puts the cables under 82,000 lb. of tension, and holds this tension while a dry concrete mix is poured into the form from an overhead bin. The form is moved by a conveyor belt to a steam room, where the concrete is cured by an accelerated process. After 11 hours, the concrete is set, and the cables are released to produce compression.

Only eight men are needed to operate the machine. Direct labor costs come

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## the PREFERRED way to lease trucks



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National Lease supplies everything but the driver at flexible, local-level costs. On-the-spot management provides highest efficiency; full-service, one-invoice truckleasing—the LEASE-FOR-PROFIT way.

Lease a new Chevrolet, or other fine truck, operate it as your own with no investment, no upkeep.

For facts about full-service, "Lease-for-Profit" truckleasing—and the name of your local National Lease firm, write:



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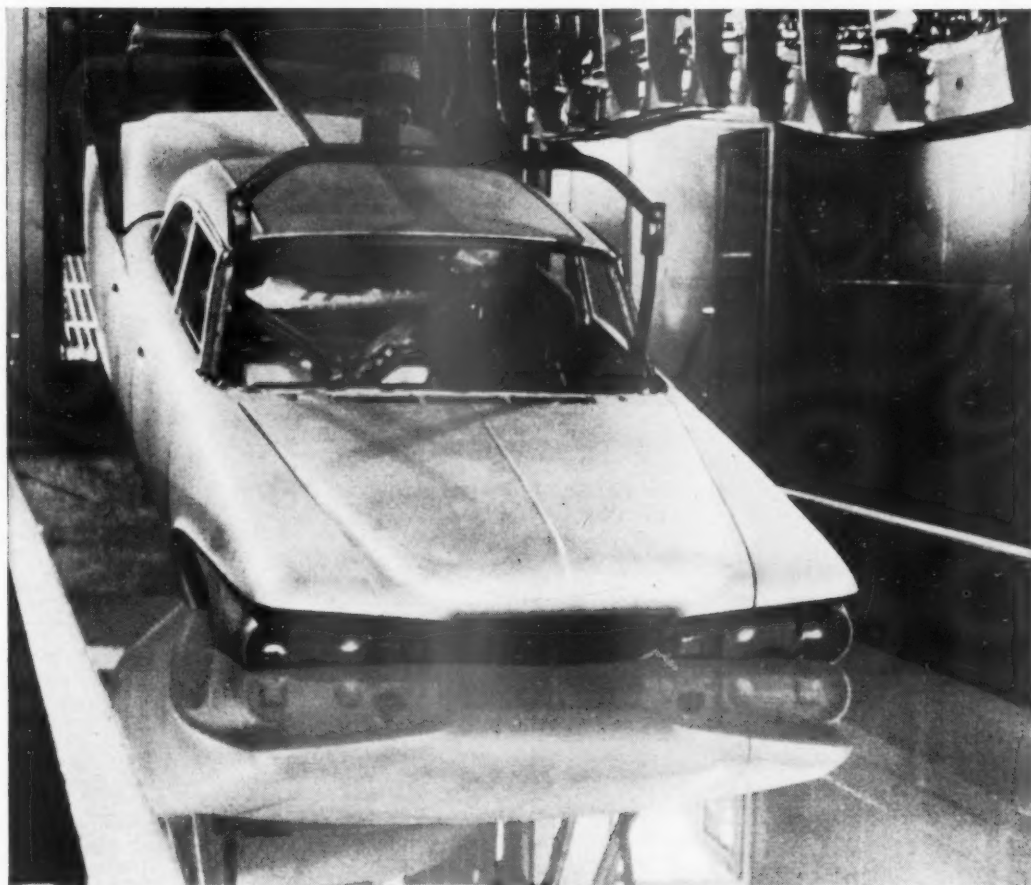
Write, wire or phone  
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TEXAS POWER & LIGHT CO. DALLAS

## UNMATCHED

Advertisers have placed more pages of business and industrial advertising in Business Week than in any competing magazine for 22 consecutive years.

The life expectancy of Solid Plymouth Fleet Cars is around 200,000 miles. The big reason why—Unibody construction.



*Plymouth Fleet Cars are built to last.*

You probably won't keep a fleet car for 200,000 miles, but that's not the point. Every Plymouth Fleet Car is built to really last—built a new way, the solid Dura-Quiet Unibody way. Approximately 5400 precise welds join tough steel of body and frame into one unit. This should let you keep fleet cars a long time. You can also expect high resale value when you trade or sell.

*They promise low upkeep costs.*

Seven different baths, like the one shown above, give each Solid Plymouth Unibody a new kind of rust protection. Every Unibody also receives six chemical sprays. This solid combination of protective baths and chemical sprays cuts body corrosion and maintenance'way down.

*They're low in price.*

Plymouth Fleet Cars are reasonably priced. The four Fleet Special models keep the solid fundamentals, yet eliminate the unnecessary trim many fleet owners don't want anyway. Solid fundamentals like tough, durable Vinyl interiors and heavy-duty door trim panels.

*Plymouth Fleet Cars offer much more, too.*

There's good gasoline mileage, rugged standard equipment, wonderfully smooth Torsion-Air Ride, and more in the Solid Plymouth Fleet Cars. Models range all the way from the Plymouth Fleet Special—a no-frills workhorse, to the Plymouth Fury—the most luxurious Plymouth of them all. Wouldn't it be a good idea to see your Plymouth dealer today?

*A Chrysler-engineered product, built a new solid way to give you solid satisfaction.*

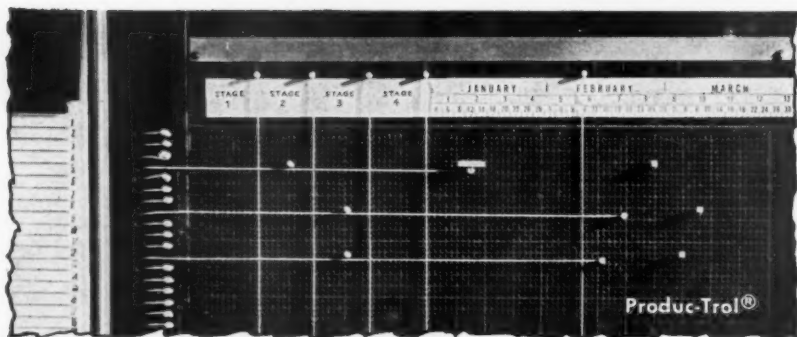
**SOLID PLYMOUTH 1960**





## HOW TO BEAT THE CLOCK WITH WASSELL TWIN CONTROLS

*Only Wassell provides the TWIN UNITS that make a comprehensive visual control system*



**Produc-Trol®**, the original and most versatile of visual control boards, offers the executive all the vital factors of business management at a glance: production or project status, parts inventory, sales position, etc.



And Wassell **Vu-Board** complements **Produc-Trol** by showing man and machine loading or tooling and setups to meet due dates.

The information can be analyzed in seconds . . . quick decisions can be made based on facts . . . a staff meeting can be held in minutes without digging into files or calling for reports . . . most important, executive time is freed to be used where it counts most

— with people and in seeing the job firsthand.

*Wassell sales and service representatives in sixty cities are ready to serve you. Please look under Wassell in the phone book, or use the coupon below.*

### WASSELL ORGANIZATION, INC.

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*Please send me details on how your Wassell Twins — Produc-Trol and Vu-Board contribute to greater plant productivity. PLEASE PRINT*

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CITY \_\_\_\_\_ ZONE \_\_\_\_\_ STATE \_\_\_\_\_

—Some valuable, exclusive Wassell franchises are available. Please write for an interview.—

to only 30¢ a tie, compared with \$2 or more in conventional pre-stressing methods.

Cone hopes to start production at 5,000 ties a day, half the plant capacity, and to set up other plants around the country as fast as each area promises a market of at least 250,000 ties a year.

## Speed-Up Timetable For Automated Railroads

Trains that will be controlled automatically by a dispatching center are moving closer to the practical stage. This week, Union Switch & Signal Div. of Westinghouse Air Brake Co. announced the following developments:

- A steel company is installing equipment to control an unmanned pusher locomotive to deliver ore cars to a rotary dumper.

- Union Switch has an order for remote control equipment for an unmanned switcher locomotive operating over 15 miles of in-plant track.

- Successful tests have been conducted on a mainline Western railroad, in which a slave (pusher) unit was controlled by a head-end locomotive.

- Tests for the complete automation of the New York Transit Authority's Times Square-Grand Central shuttle are more than 50% complete.

- Plymouth Locomotive Works—manufacturer of industrial switch engines—is offering remote control equipment as an optional feature.

- **No Hands**—Union Switch thinks that, eventually, even mainline operations can be completely automated. Automated trains would have an electronic system of controls in the train engine, which would control the movements and speed of the train from signals received from traffic-monitoring devices along the rights-of-way.

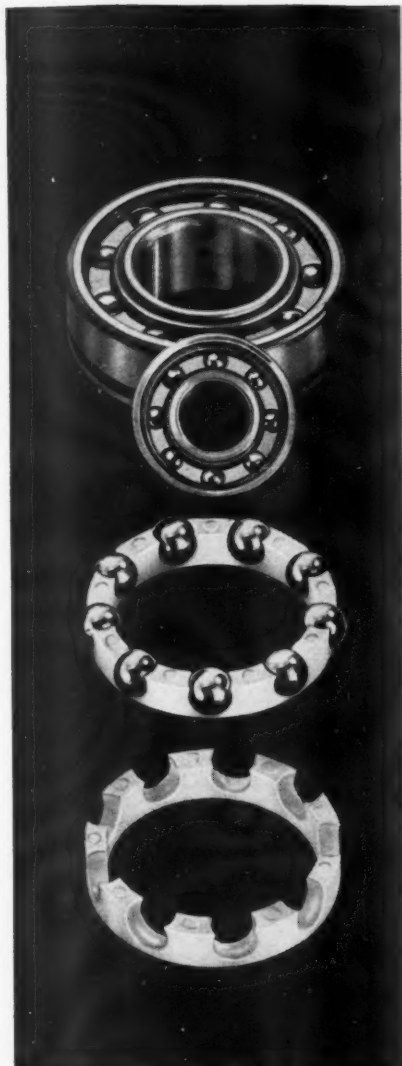
The only human required would be a train dispatcher, who would oversee the train's movements, possibly using some of the centralized traffic control equipment now in use by major railroads.

Some of the equipment already is in existence, the rest Union Switch is designing and testing. What's needed now is an order.

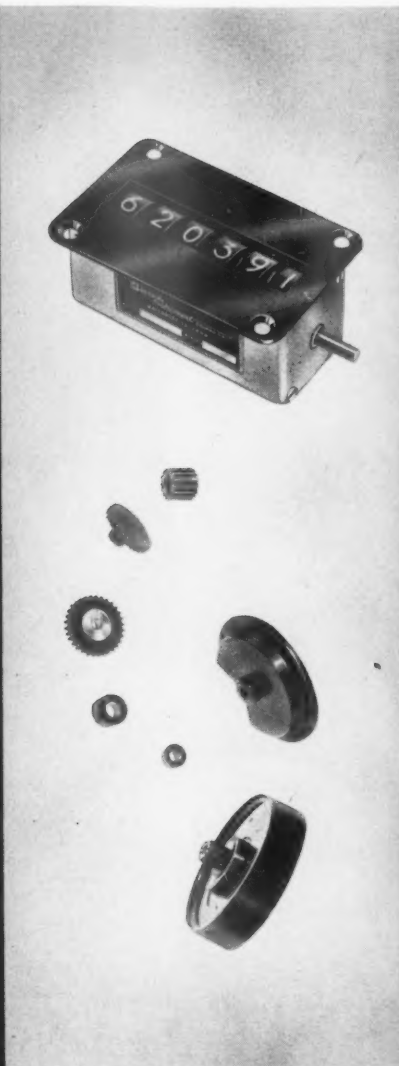
The problem here is that any interested road faces two roadblocks—financing and the operating brotherhoods. Union Switch doesn't have any idea what such a system would cost, and won't know until it fills the first order.

For safety's sake, each locomotive would be equipped with some type of sweeping radar device to check conditions ahead. This information, in turn, would feed back into the system and make the necessary decisions as to movements. **END**





**Ball bearing retainer** molded in one piece of ZYTEL eliminates burrs and many other causes of premature bearing failure. Smooth, quiet, resilient and abrasion resistant, the retainers speed assembly . . . reduce rejects. (By Dreco, Inc., N. Olmsted, Ohio, for Green Ball Bearing Company, Cleveland, Ohio.)



**Counter** for instruments including clocks and high-speed money counters uses drums, gears and other components of ZYTEL, which is abrasion resistant and can be molded to close tolerances. (By B & B Plastics, Inc., Oakville, Conn., for Haydon Instrument Co., Waterbury, Connecticut.)



**Electrical limit switch** with 7 parts of ZYTEL lasts at least 5 times as long as former switches with metal or other plastic components, due to the low friction, long wear of ZYTEL, plus its excellent arc resistance. (By Berea Plastics Co., Berea, Ohio, for R. B. Denison Mfg. Co., Bedford, Ohio.)

## Look what's better now...because of Du Pont ZYTEL<sup>®</sup>

NYLON RESINS

Sometimes the product improvements made possible by Du Pont ZYTEL nylon resins leap to the eye; at other times, as in the three products above, the components of ZYTEL are hidden in the "works." But here, too, the advantages of using ZYTEL emerge unmistakably in rugged tests, prolonged use and on a cost-accounting sheet.

Tough, abrasion resistant, light in weight, chemically resistant, ZYTEL nylon resins are available in white or a variety of colors. Intricate parts of ZYTEL can be economically molded to exact dimensions in large quantities . . . require little or no finishing. And ZYTEL offers excellent electrical properties.

Not surprising, then, that more and more manufacturers are taking advantage of the unique combination of properties offered by these versatile materials. For more information about ZYTEL and the ways it may help you improve a product or lower your costs, write to: E. I. du Pont de Nemours & Co. (Inc.), Department D-416, Room 2507-Z, Nemours Building, Wilmington 98, Delaware.

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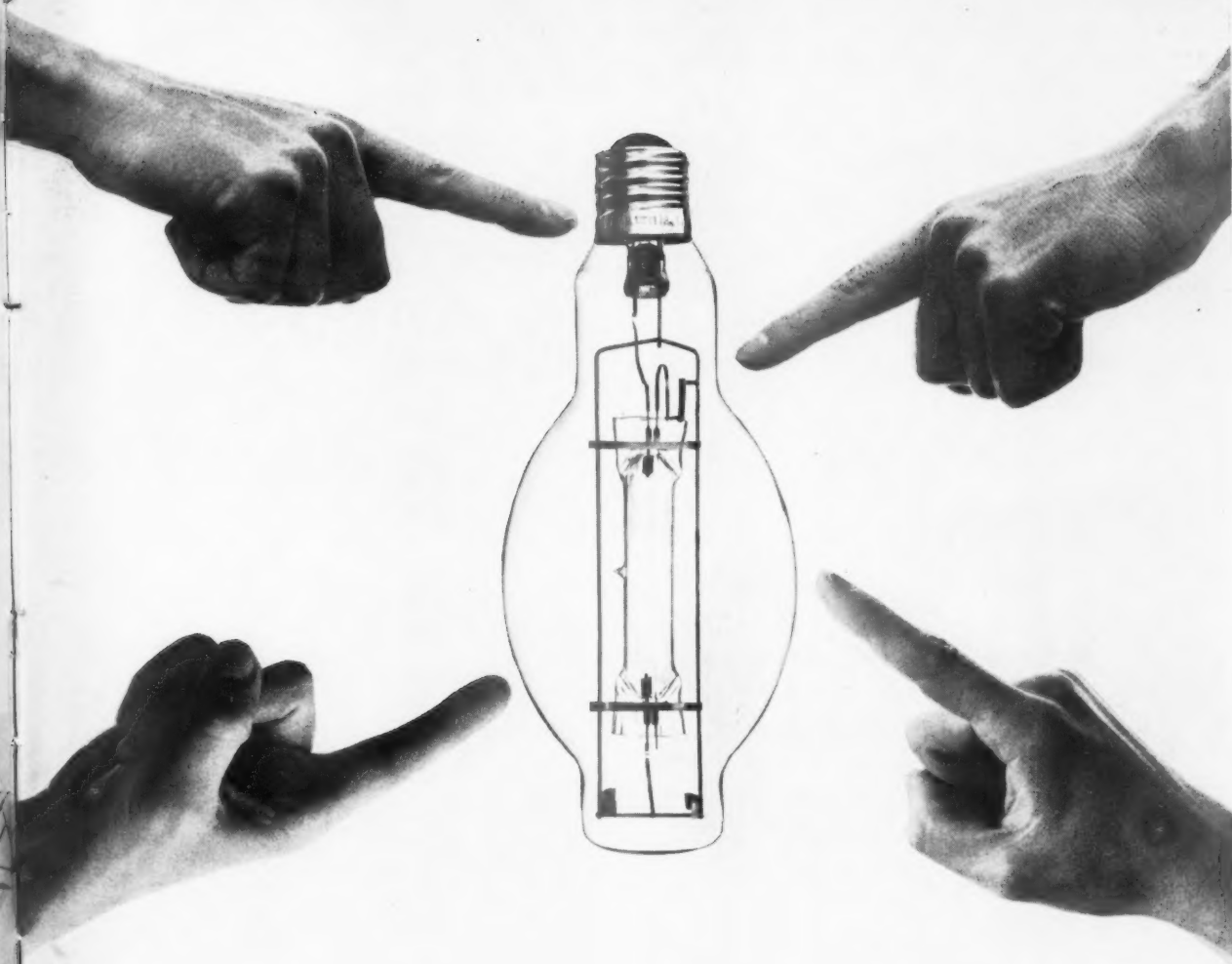
Better Things for Better Living . . . through Chemistry



## Mercury lamps may look alike

These Mercury lamps look alike and cost about the same, but one—the Westinghouse Lamp—will deliver more light initially and maintain this high light output longer. It is your most economical choice for industrial and commercial lighting and incorporates all 4 outstanding improvements listed below.

**1. Lifeguard™ arc tube** to improve lumen maintenance. Even after 10,000 hours of use, these lamps will still give 85% of their initial light output. *This means that 2½ years after you install Westinghouse Mercury Lamps, your plant or streets will have almost the same high level of light as when the lamps were new!*



... but four differences make one a better buy!

**2. New design electrodes** lock in the emission material and insure long life and easier starting.

**3. Weather Duty™ construction.** Special glass is resistant to thermal shock and corrosive fumes. Moisture, industrial fumes, even snow and rain can't harm these Westinghouse Mercury Lamps.

**4. Hi-temp silicone cement** holds bases tight for life . . . actually gets stronger as the lamps burn. No drop-outs. Westinghouse even date-codes its mercury lamps so you can check performance.

No matter what type or wattage of mercury lamps you use, you will get more value and light for your money—plus longer, trouble-free service—by specifying and insisting on Westinghouse Mercury Lamps. Westinghouse makes the most complete line of mercury lamps in the industry . . . 100 to 3000 watt sizes . . . in clear, color-corrected and reflector types. Contact your authorized Westinghouse lamp agent or nearest Westinghouse sales office.

**YOU CAN BE SURE...IF IT'S Westinghouse**  
WESTINGHOUSE LAMP DIVISION, Westinghouse Electric Corporation, Bloomfield, N. J.

## HOW TO BOOST YIELD...IN ANY FIELD!

"A customer called long distance. He needed a replacement part for his harvester, and needed it in a hurry. Although he didn't expect delivery for several days, we got the part to him in 3 hours via Greyhound Package Express. That was 12 years ago. He's been our best customer ever since!"

*Don J. Hyde*  
FARM EQUIPMENT SALES CO.

**GREYHOUND<sup>®</sup>**  
**PACKAGE EXPRESS**

**IT'S THERE  
IN HOURS  
...AND  
COSTS YOU  
LESS!**

When getting it there in a hurry means business, you can count on Greyhound Package Express! Your packages go anywhere Greyhound goes, by dependable Greyhound buses on their regular runs. That means you get service **seven days**

**a week...24 hours a day...weekends and holidays!** And you can send C.O.D., Collect, Prepaid—or open a charge account. For information, call any Greyhound bus station, or write Dept. 2D, 140 South Dearborn St., Chicago 3, Ill.



# In Production

• • •

## Crystals Formed From Gaseous Silicon Promise Better Semiconductor Devices

Merck & Co's electronic chemicals division has scored a major breakthrough in growing silicon crystals for semiconductor devices such as transistors, diodes, and circuit function packages (BW—Mar.26'60,p74). Merck's new crystals—some are several inches long and  $\frac{1}{8}$  in. thick—are formed directly from gaseous silicon, can have almost any number of closely controlled impurity layers in the single crystal.

Merck scientists believe their method of crystal production will lead to much higher yields of good devices and large reductions in waste. The crystals are not yet available in quantity.

• • •

## Post Office Installs Equipment in "Tent" While Building Is Constructed Around It

A building within a building is the idea Gilbane Building Co. came up with to speed construction of the new automated post office (BW—Apr.11'59,p139) in Providence, R. I. The use of an 80-ft. by 40-ft. "tent" inside the uncompleted post office permitted the installation of the complex, electromechanical mail-handling equipment to go on while the building was being erected around it.

Hoosier Tarpaulin & Canvas Goods Co., which supplied the vinyl-coated nylon tent, tailored the shape so that the center section would duck under a low-hanging tie-beam.

• • •

## Plastic Wins Another Market From Metal in Automotive Field

Tougher plastics are taking over jobs from metals in sizable markets. Latest example is the tiny pumps for windshield washers in the 1960 Fords and Mercurys.

The pumps, designed to be driven by the fan belt, are made of Delrin, a plastic by du Pont. They are injection-molded by the Delman Co. of Cookeville, Tenn. Delman Co. says they are cheaper and lighter in weight than a comparable die-cast metal pump. In addition, Delrin's chemical resistance practically eliminates the problem of internal corrosion, the bane of most metal pumps.

• • •

## Process Reclaims Iron-Descaling Bath, Reduces Stream Pollution Problems

One of the major problems steel mills face in dealing with stream pollution is handling the acid residues left over from their descaling operations. Up to now, the pickling solution—as these descaling baths are called—

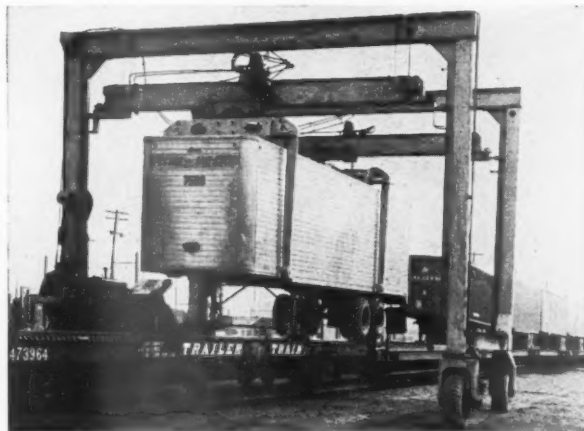
had to be treated chemically and dumped into nearby streams.

Now Ionics, Inc., reports that by adapting its electric membrane process for desalting (BW—Jan.11'59,p133), the sulphuric acid used for pickling can be used over and over, and the iron collected in the descaling operation can be reclaimed.

It is estimated that U.S. steel mills spend over \$20-million yearly in the purchase and disposal of pickling solutions. Dr. Walter Juda, executive vice-president of Ionics, claims that its reclamation operation can save about \$500,000 annually for a steel mill pickling 15 tons of iron per day. Juda says that is a conservative figure if you consider that normally such a mill would purchase, use, and throw away about \$385,000 worth of pickling solution each year, and spend another \$115,000 to dispose of it. The Ionics process would pay for itself, and, if you add in the iron reclaimed, might even show a profit, according to Juda.

• • •

## Easy Way to Load Piggyback Trailers



This traveling lifting device is designed to simplify loading and unloading truck trailers traveling piggyback.

Travelift & Engineering, Inc., of Sturgeon Bay, Wis., built the new style straddle carrier, which is being marketed by Trailmobile, Inc., a subsidiary of Pullman, Inc. The unloader, which one man can operate, uses four hydraulically controlled arms to grasp the side of the trailer and lift and unload it. The hydraulic lifters can be folded into the overhead for clearance.

• • •

## Sparrows Point Mill Takes to Oxygen

Bethlehem Steel Co.'s plans to upgrade its Sparrows Point (Md.) plant include adapting seven open-hearth furnaces, rated at 375 tons each, to use oxygen. The mill, though rated one of the most modern in the industry, has been a major holdout against large-scale use of oxygen for increasing steelmaking rates.

The upgrading will jump the plant's annual capacity from 8.2-million to 9-million tons; it also calls for modernizing the flange mill, the 60-in. plate mill, and the 56-in. hot strip mill, and adding a new continuous annealing line for producing tin plate at 2,000 ft. per min.

## ARTERIES FOR THE POWER OF THE ATOM



In Rowe, Massachusetts, the Yankee Atomic Electric Company has built one of the first commercial atomic power plants in the U. S.

This engineering marvel, designed to transform the destructive power of the atom into useful electrical energy, utilizes no less than 200,000 feet of Simplex wire and cable, some of which is exposed to radiation.

For top performance in all types of installations, utilities and industrial companies the world over rely on the products of Simplex research and development.

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## NEW PRODUCTS



### Little Computer With Big Brain

To get within reach of the pocket-book of smaller companies and branches of large corporations, Datamatic Div. of Minneapolis-Honeywell Regulator Co. this week added the new machine above to its line of high-speed computers.

The new computer, the Honeywell 400, cuts both the size and price of earlier products of Datamatic, which was formed five years ago. Its first product was a large general-purpose data processing system, the Datamatic 1,000, that used power tube circuits and could be rented for about \$40,000 a month or bought for something like \$2-million. In 1959, the Honeywell 800 was presented—a fully transistorized job that does the work of the 1,000 and more but costs half the price.

• **Sophisticated**—The new 400 rents for \$8,660 a month and sells for \$390,000. Datamatic points out, however, that it is by no means a "baby" computer, but a fully grown adult only a little less sophisticated than the 800. It's aimed at the customer who needs the processing versatility of the big machines, if not their volume capacity.

The central processor of the 400 has an internal speed of about 6,000 operations, such as additions or subtractions,

per second. It has a memory of 1,024 words—or, in different terms, 10,000 characters (this can be doubled if desired). The high-speed printer that comes as standard equipment operates at 900 lines per minute, and the unit's card reader has a capacity of 650 cards per minute. Datamatic claims that its tape drives, which transfer information at the rate of 64,000 characters per second, are the fastest in the business.

• **Team**—Company officials emphasize that the 400 is not meant to be a successor to the more powerful 800. In fact, Datamatic will just begin delivering the 800 next fall from a \$35-million backlog of orders. Thus the machines will be marketed at the same time.

The company thinks this will be a profitable state of affairs: Since the 400 and the 800 are fed from the same input and output devices and speak the same language, they can be used in conjunction with one another. For example, a 400 in a branch office and an 800 at headquarters can both play with the same data for different stages of processing. A growing company that can only afford the 400 at present, could switch to an 800 later, without having to reprogram its files.

### Self Power for Pipeline

A small turbine generator (picture, page 90) is being field-tested by its maker, Magnetic Industries, Inc., an engineering company in Houston, Tex. Designed to supply electric power to operate valves and other devices for gas pipelines in remote areas, it works in an unusual way that makes use of the gas flow itself.

The turbine is placed directly in the line, where gas is whipping through at pressures of 500 to 1000 psi. This stream is forced through a nozzle and the resulting pressure drop drives the turbine.

In order to stand the high rotational velocity of the turbine wheel, a permanent magnet die-cast in alumi-

## THIS IS CHEMAGINATION



**FLY A B-52—BLIND** Squat black boxes steer the giant on its preset course, and drop the bomb. Computers that can pilot a plane or beat you at chess are made with Durez® plastics—sturdy, lightweight, self-insulating materials easily molded to complex shapes, able to deliver a host of wanted properties and retain them under stress.

**MAKE NEWS** in water safety—with a flame-resistant plastic boat. The boat industry is just starting to take advantage of the great structural strength and safety inherent in Hetron® fire-retardant polyester plastics. Where can you use these super-strong materials? Skylights? Ducts? Acid scrubbers? They resist chemicals as well as fire.

**ADD PERMANENCE** to a soft material like cork, and you get a durable product like this new floor tile. Durez phenolic resins lock the cork granules together with a bond that resists heat, moisture, and abrasion—for keeps. Tell us what you'd like to make with plastics that go places, and do things other plastics can't do.

# DUREZ PLASTICS DIVISION

HOOKEER CHEMICAL CORPORATION, 4004 WALCK RD., NORTH TONAWANDA, N. Y.

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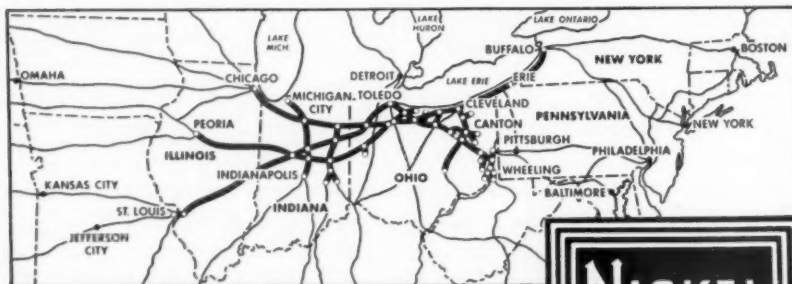




## Formula for a fast track: machines and muscle like this

This new power equipment helps to keep Nickel Plate's high-speed track smooth and *fast* . . . so your freight goes through with no delays, *safely*. Just one more reason why we say: To speed your freight, ship Nickel Plate!

You'll find 43 Nickel Plate traffic offices located in principal cities. All have TWX teletype facilities. Call any office for complete shipping and tracing information. For high-speed freight service, get on the fast track: Nickel Plate.



*the railroad that runs  
by the customer's clock*

THE NEW YORK, CHICAGO AND ST. LOUIS RAILROAD COMPANY  
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num with steel keeper bands around it replaces the customary brushes. The magnet is easily maintained by putting a new charge on it perhaps once a year.

The picture shows the device located on a U-shaped bypass off the main line. This was done for test purposes only; it isn't necessary to build a bypass for actual use. Magnetic says that the 20 psi. needed to produce 1,000 watts of power is not enough to interfere with the transmission of gas.

• **Low-Cost**—Production models, expected in about 90 days, will probably cost under \$2,000. This low initial cost, and operating costs of almost nothing, will make use of electric power in remote areas considerably cheaper for gas pipelines. Magnetic feels certain the generator could also be used for crude oil and product pipelines.

### NEW PRODUCTS BRIEFS

A new motor oil keeps auto engines clean by breaking sludge into particles far smaller than normal lubricating oil breaks it into, according to its manufacturer, Esso Standard Div. of Humble Oil & Refining Co. The particles are kept in suspension—and thus away from engine parts. Esso says that the polymer molecule at the heart of the new oil is so complex that an electronic computer had to determine its structure.

Aluminum foil coated with an adhesive that forms a permanent bond with woods and plastics is the newest product of Aluminum Co. of America (page 168). The foil is applied by a hot press. Said to be highly resistant to heat and moisture, it can serve as a base for paint, a light reflector, or a strengthening agent. It is available coated on one or both sides in gauges down to .001 and widths up to 50 in.





... a hand in things to come

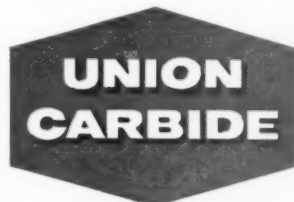
## Shaping another sun

7000 degrees . . . an inferno approaching that of the sun's surface has been created by the scientists of Union Carbide. The energy comes from the intensely hot carbon arc. Through the use of mirrors, the heat is reflected to form a single burning image of the electric arc at a convenient point. Called the arc-image furnace, it extends the limits of high-temperature research on new materials for the space age.

For years, mammoth carbon and graphite electrodes have fired blazing electric furnaces to capture many of today's metals from their ores and to produce the finest steels. But, in addition to extreme heat, the carbon arc produces a dazzling light that rivals the sun. In motion picture projectors, its brilliant beam floods panoramic movie screens with every vivid detail from a film no larger than a postage stamp.

The carbon arc is only one of many useful things made from the basic element, carbon. The people of Union Carbide will carry on their research to develop even better ways for carbon to serve everyone.

*Learn about the exciting work going on now in carbons, chemicals, gases, metals, plastics, and nuclear energy. Write for "Products and Processes" Booklet I, Union Carbide Corporation, 30 E. 42nd St., New York 17, N.Y. In Canada, Union Carbide Canada Limited, Toronto.*



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3, 1960

# They've worked their way into the language...

What one name means truck to you? People the world over would answer Mack, for "Built Like a Mack" long ago became part of the language, denoting strength, long life and unmatched performance.

Today, as always, the name Mack still signifies the ultimate in truck performance. It stands for vehicles endowed with bulldog dependability... that get the important jobs done most economically. It's the standard by which other trucks are judged.

If truck transportation has a part in your business, your Mack representative will gladly outline the many specific reasons why Mack trucks will prove the most profitable in your operation.

BUILT LIKE A



*Mack*



Emergency vehicles that must stand ready to answer any call... or hard-working haulers that daily carry America's cargoes or keep its construction moving—here and everywhere there are important trucking jobs, you'll find that Mack economy and dependability are by-

words. The reason? Balanced Design—the exclusive Mack practice of manufacturing in its own plants all vital components to work together for highest fuel economy, greatest freedom from profit-cutting downtime, and longest useful mileage life.







## PROTECTOR OF THE BLEND

Here, in the coffee-taster's sanctum, Butter-Nut Coffee gets its delicious taste. Thomas J. Prettyman, senior vice president of Swanson-owned Butter-Nut Foods, protects the blend by sampling one of the 48 varieties of beans that brew Butter-Nut flavor. A favorite in the Midwest since frontier days, Butter-Nut has added a new-type instant coffee and is rapidly expanding its market.

Another protector of the blend is Insurance by North America — a stabilizing force against loss in the over-all operations of importing, roasting, packaging and selling. INA, through its local agent, covers inbound shipments and has a share in Fire and Extended Coverages on various properties. It also writes Business Interruption to protect Butter-Nut profits.

Wouldn't your business benefit from this unusual protection and service? Ask your broker or any INA agent for more details on Insurance by North America...the company that cares.

Insurance Company of North America • Indemnity Insurance Company of North America  
Life Insurance Company of North America • World Headquarters: Philadelphia

**INSURANCE BY NORTH AMERICA**





## RESEARCH

# More Work for Radioisotopes

**AEC scientists say industry hasn't begun to exhaust the potential uses of peaceful atomic energy.**

At the 1960 Nuclear Congress in New York last week, leaders in peacetime uses of atomic energy urged U. S. industry to step up its use of radioisotopes—both in the laboratory and in processing operations. Wider use of “tagged” or “thinking atoms,” they promised, will reap a dual reward:

- It will result in hundreds of new products, as well as improving the quality of many of those already on the market.

- It will save industry itself billions of dollars annually in research and production costs.

- **Already Saving**—An annual saving of \$40-million is claimed in industries where radioisotopes are already being used.

In the metal processing industry, radioisotopes are being used in nuclear gauges to measure the thickness of materials produced by coating, rolling, bonding, and extrusion.

In the chemical and petroleum industries, radioisotopes are used in density gauges that measure the mass flow of chemicals and petrochemicals.

Isotope tracers in pharmaceutical company laboratories check on progress of complex synthesis reactions. They permit scientists to “see” into the reaction, something no other laboratory instrument has ever conveniently allowed.

- **Holding Back**—Still, the industrial potential of radioisotopes has hardly been tapped, according to Atomic Energy Commission scientists. The reluctance of U. S. industry to put radioisotopes to work apparently has several causes:

- Lingering fear of danger to lab and plant personnel.

- Unawareness of how to use radioisotopes to benefit a company's operations.

- The fact that AEC has the authority to demand ownership of all patents in the field. Big companies have been reluctant to spend much of their own money in working on new uses of radioisotopes when the results of such work can be given to anyone, including competitors. This has slowed research in process uses of radioisotopes more than it has slowed lab uses, AEC officials think.

- **What They Are**—By definition, radioisotopes are atoms that give off radiation. More than 900 radioisotopes



**FOR POWER.** In this half-size model of Martin Co.'s 8-ft.-high thermoelectric weather station, the fuel cell (lower section) uses heat of radioactive decay to make a current.

have already been identified by researchers. Since radioisotopes of nearly all the natural elements can be artificially produced by bombarding stable elements with sub-atomic particles (such as protons, neutrons, or electrons) from a nuclear reactor, there's every reason to suppose that this number can be increased materially.

Three main types of radiation are emitted by radioisotopes: alpha and beta particles and the so-called gamma rays. But there is a world of difference in the problems of dealing with the three types:

**Alpha particles** (composed of two protons and two neutrons from the radioactive atom's nucleus) are positively charged and not very penetrating. Nearly all alpha particles can be stopped by a thin sheet of paper.

**Beta particles** are electrons thrown off by a radioisotope as it disintegrates and returns to its more stable form. They are negatively charged and extremely light. Ordinarily, beta radiation will travel only a few feet in air and can be effectively stopped by an inch of wood.

**Gamma radiation** is the only kind of emission from radioisotopes that raises a serious industrial safety worry. Gamma rays have no electrical charge, but they can travel for great distances at the speed of light. They easily pass through most solid substances, and thick sections of lead or concrete shield-



**FOR TESTING.** Socony Mobil Oil Co. uses radioisotopes, as in this mockup, to detect leaks, other abnormalities.

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... large-scale use of high intensity radiation in production plants is just starting to catch on ...

(STORY on page 95)

ing are required to protect personnel from them.

• **Many Users**—As of Nov. 30, safety procedures in handling radioisotopes had been worked out so completely, however, that AEC had been able to license 2,555 institutions to use them for medical diagnosis and therapy; 1,600 companies had been given the go-ahead to use them in processing and testing work, and 1,562 licenses had been granted for laboratory R&D.

The estimated number of licenses at the beginning of this year was 26% ahead of 1958 totals—and 62% ahead of the number of licenses that had been granted up to the end of 1957.

• **Room to Grow**—These figures represent real growth. But they are far less impressive when compared to the potential for users in industry.

Most of the widest uses already developed for radioisotopes in industry, AEC says, use very little radiation. They are either radioisotopes for tracing or small radiation sources for gauging and testing.

Major applications in tracing include wear and lubrication tests on piston rings, gears, and machine parts; wear tests on paints, varnishes, wax coatings, and other protective agents; studies of the cleaning action of detergents and other agents on clothing and fabrics; detecting leaks in complicated plant equipment and underground gas storage depots; tracing flow in pipelines, streams, catalytic crackers, chemical processing plants, and fluid or slurry systems.

In the area of radioinspection, the list includes testing of welds in ships, tanks, pipelines, and other containment vessels; testing of rocket fuels for uniformity; inspection of packages, cans, or sheet metal as they move down a production line; testing of packaged fluid products (including foods) for level, content, thickness, or even density.

In gauging, the list of products controlled or improved through the use of radioisotopes is growing steadily.

Large-scale use of high-intensity radiation in actual production (through radioisotopes) is just starting to catch on. Scientists predict that intense radiation (as a tool in making products) will someday revolutionize both the plastics and the metals industries. But such developments require immense investments in research funds and are still fairly uncommon. One recent example, though, was W. R. Grace's announce-

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\*tests conducted by U.S. Testing Co., Report #47912, Sept. 26, 1958

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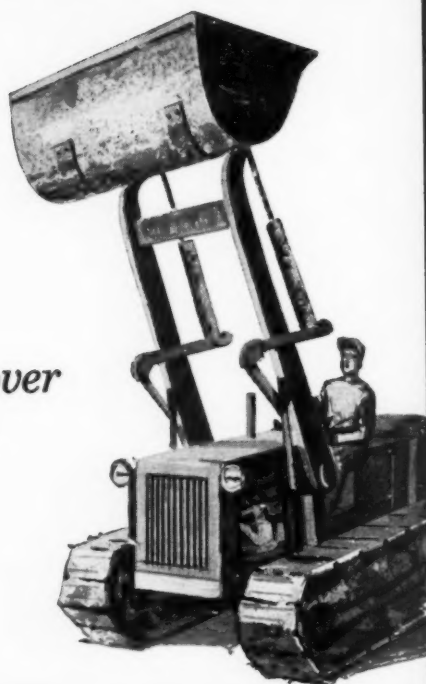
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*... by 1965, Americans  
should be enjoying fresh  
fruit and vegetables pre-  
served by radiation ...*

(STORY on page 95)

ment of its production of irradiated polyethylene (BW—Mar.26'60,p174).

- **Lab Uses**—In the laboratory, use of radioisotopes has been growing rapidly, especially in connection with agriculture. Radioisotopes are helping scientists to unlock the secret of everything from plant nutrition and animal diseases to fertilizer use, milk production, insect eradication, and the development of new plant varieties through mutation.

More than \$5-million a year is being spent on agricultural-related radioisotope research. And AEC recently launched a new five-year, \$5-million R&D program to develop practical methods for the low-dosage radiation of fresh foodstuffs.

The use of radioisotopes for food preservation has been discussed for years (BW—Jan.28'56,p174). But it has floundered in a bog of misunderstanding about feasibility and safety. Most of the problems have been thrashed out now, says AEC's Dr. Paul C. Aebersold, and, by 1965, Americans should be enjoying fresh fruit and vegetables preserved by low-dose radiation.

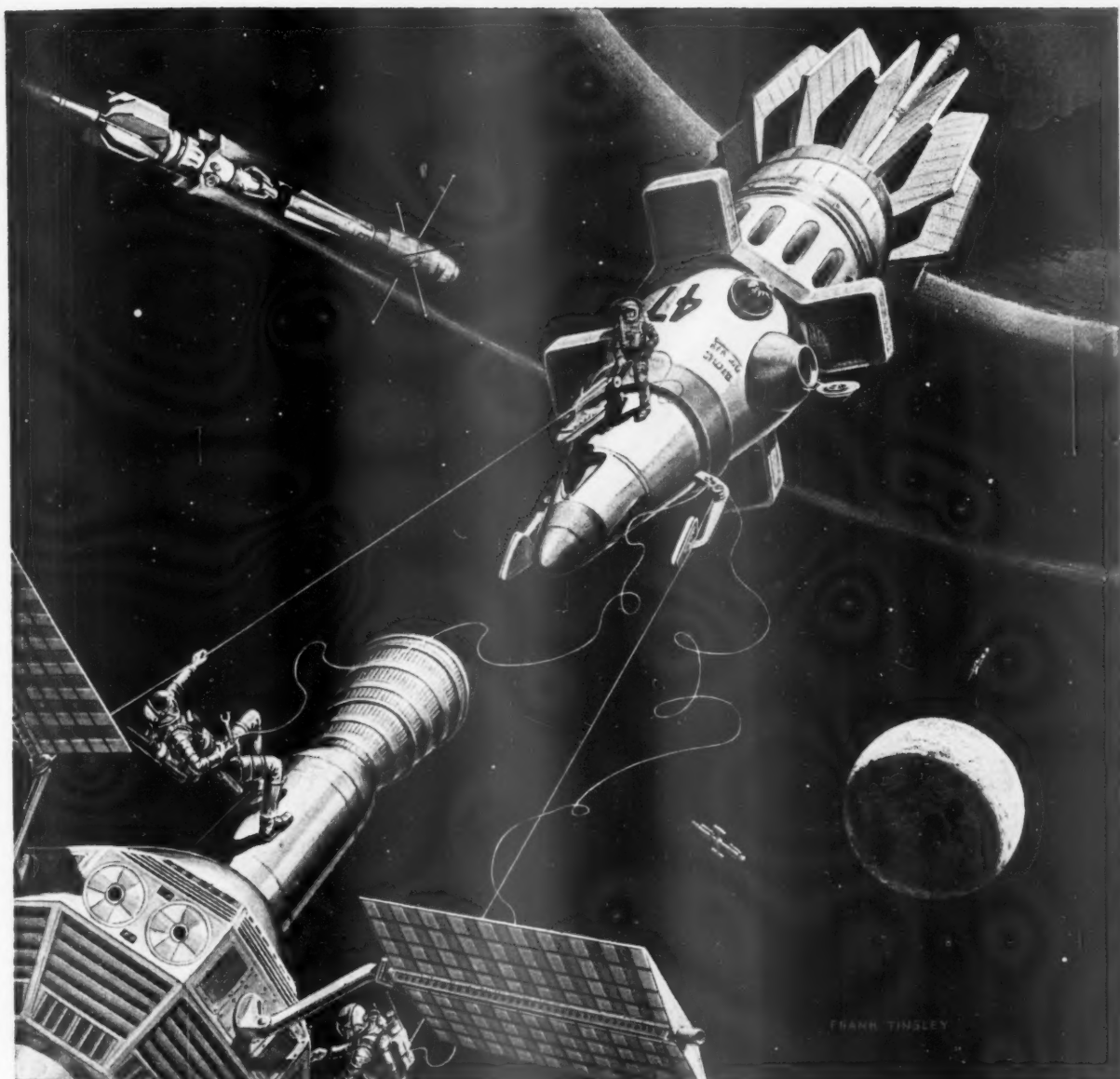
- **Oil and Gas**—Another research effort that has been strong lately is the expanded use of radioisotopes as tracers in oil and gas exploration. The potential importance of this work, the oil industry knows well, could involve huge stakes.

The Bureau of Mines recently made a study of the problems involved in using beta-emitting radioisotope gas tracers in oil field operations. It investigated all known techniques in proportioning tracer gases, in methods of sampling, and even in counting systems. The bureau's conclusion: There are simple, inexpensive solutions to most of the problems that have been encountered in this use of radioisotopes. Within the next few months and years, radioisotopes should increasingly be put to work in the oil industry.

- **Generating Electricity**—A third use of radioisotopes in bulk has been receiving considerable research attention recently. This is in connection with the direct generation of electricity from heat. Several types of small radioisotope-powered batteries have already been designed and marketed. Most of them, however, produce only microwatts of electricity. They have found limited application in military items.

Just this week, however, the Martin Co. released plans for its 725-lb. radioisotope-fueled automatic weather sta-





STEPS IN THE RACE TO OUTER SPACE

## Breaking a Space Traffic Jam

By 1970 our solar system will be filled with expended satellites—whirling aimlessly in space with dead batteries and electronic equipment, their missions long since completed.

As space traffic increases, these derelicts will have to be captured and broken out of orbit to keep flight paths clear. For this task, special towboats will be designed and crews trained.

Here, step by step, is an account of such satellite capture and destruction:

1. The towboat, driven by electro-particle propulsion, rockets into space at speeds reaching 25,000 m.p.h. Its reversible engines enable it to slow as it approaches

the radar-located satellite, and match the derelict's speed as it moves into orbit behind it.

2. Crewmen attach lines to the satellite (as in illustration). Then they haul the towboat forward and its nose cone is clamped to the satellite's rocket nozzle.

3. The towboat's engines are then switched to full reverse and the linked machines gradually lose momentum, nosing into a spiral path toward the Earth below.

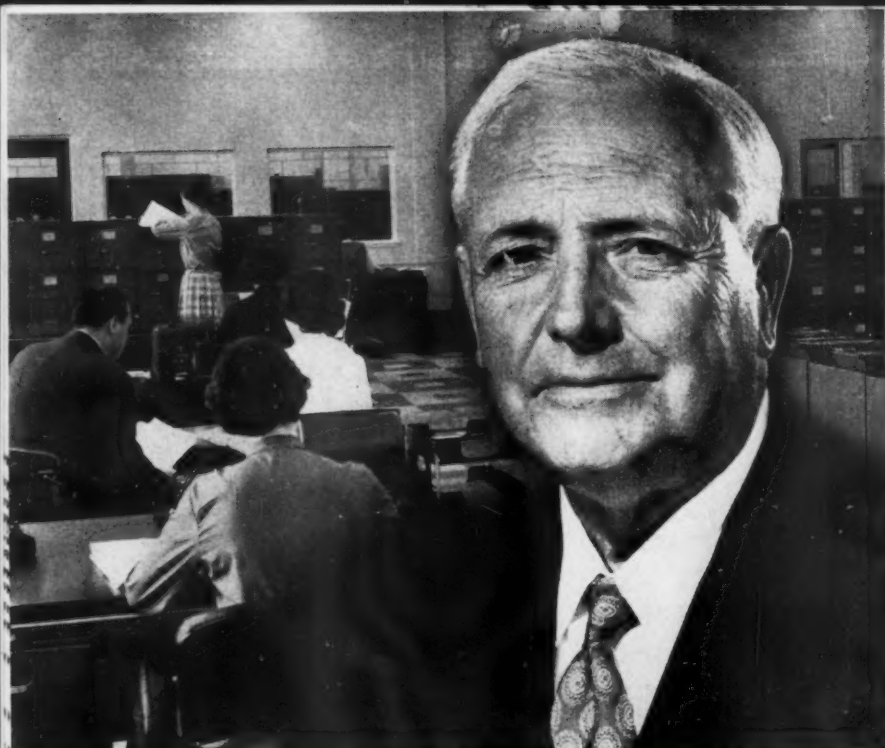
4. When a safe point is reached, the towboat automatically releases the satellite and it is consumed by friction as it

plunges into the heavier atmosphere. The towboat, regaining its speed, moves on to its next assignment—breaking a traffic jam in some other congested point in space.

**ARMA**, now providing the inertial guidance system for the ATLAS ICBM and engaged in advanced research and development, is in the vanguard of the race to outer space. For this effort, **ARMA** needs scientists and engineers experienced in astronautics. **ARMA**, Garden City, New York. A Division of American Bosch Arma Corporation.

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EX-2

**. . . AEC will publish full reports on its fundamental studies of new measurement methods . . .**

(STORY on page 95)

tion (picture). The radioisotope unit will be able to produce five watts of electricity, to power a radio with a range of 250-1,500 miles (depending on frequency), for a minimum of two years without refueling or servicing. The isotope strontium-90 will generate heat as it spontaneously decays. Sixty thermocouples surrounding the fuel capsule will convert the heat to electrical energy (BW—Apr. 9'60, p155).

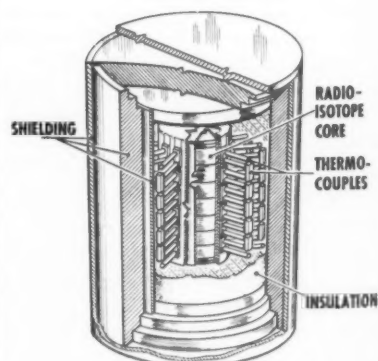
Martin researchers say their 8-ft.-long radioisotope-fueled weather station is designed primarily for use on land but could also survive immersion in sea water without damage.

- **Basic Research**—To encourage industry to do more intensified work on developing other new uses for radioisotopes, AEC last December authorized funds for an Office of Isotope Development. This office is to attack the more basic research problems that individual companies might find it hard to justify in their own research budgets. On tap for early research:

- Fundamental studies of new radiation measurement methods. Procedures for counting the amount of alpha, beta, and gamma radiation have been pretty well established. But there are other measurements involved in the decay of radioisotopes that could be extremely important, too. Such things as processes for neutron (another subatomic particle) capture, determining neutron scatter, and noting position (the electrical counterpart of the electron) annihilation will be studied.

- Broad surveys into possible immediate applications of radioisotopes in industry that have been overlooked in the first go-round. New radioisotopes

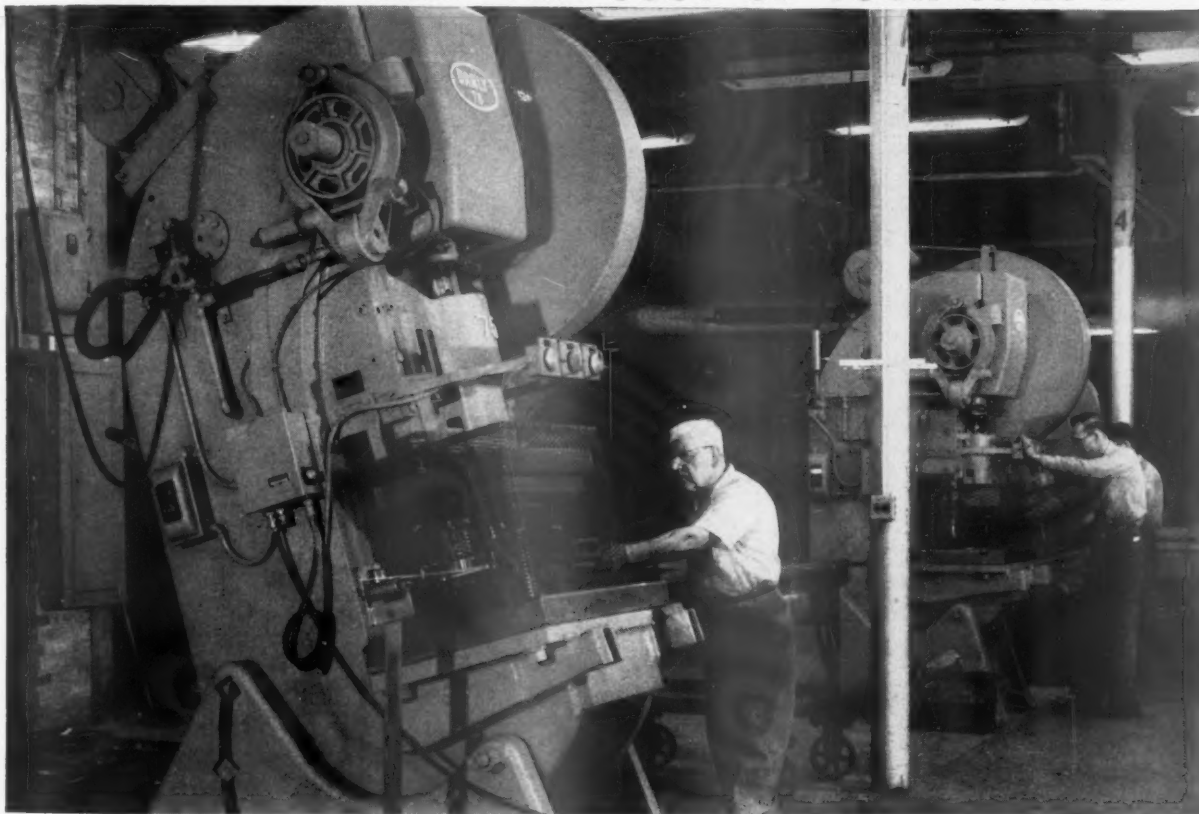
### Martin's Radioisotope Weather Station





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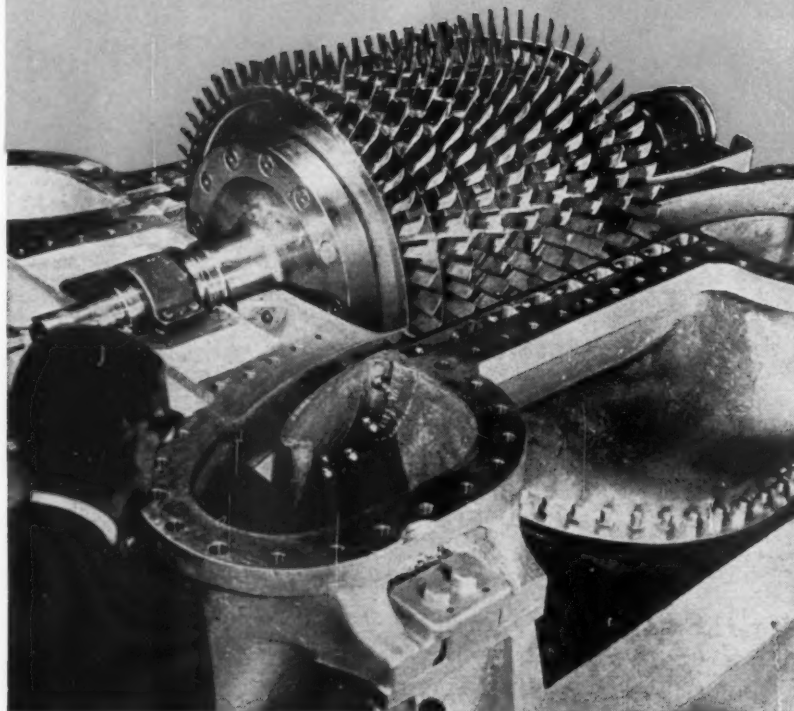
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will be made and investigated; private producers will be encouraged to turn out test samples of special radioisotopes for distribution to big sectors of the business community.

• **Private Work, Too**—In addition to the work going on in government laboratories, AEC also has 93 contracts, worth \$3.7-million, with private laboratories and foundations. An attempt will be made to improve coordination of this research so that industry can get, as quickly as possible, the answers to some of the troubling problems about the use of radioisotopes.

Radioisotopes are being used to measure everything from snowfall and potential water supply in the High Sierras to the purity of tranquilizers. Yet AEC estimates that somewhat less than 1% of the potential industrial users of such techniques are using them.

By 1970, if the AEC has its way, few industrial plants and laboratories in the entire U.S. will not be dependent on them.

## RESEARCH BRIEFS

Municipal water plants, though not designed for the purpose, remove a substantial fraction of the radioisotopes from the water they process, studies made at the Atomic Energy Commission's Hanford (Wash.) atomic laboratories have revealed. Most of the removal occurs during filtration.

A British scientist, Dr. J. Harold Burn, has suggested that the feeling of well-being experienced by smokers may result from the release of tiny amounts of a potent hormone, norepinephrine. Norepinephrine is made by special cells in or near the skin, heart, blood vessels, and brain.

Further evidence of the role of dietary magnesium and vitamin B-6 in preventing the formation of kidney stones was reported at the 44th annual meeting of the Federation of American Societies of Biology in Chicago this week. Research experiments on rats at Harvard University brought out that calcium oxalate stones (found in two out of three patients) can be artificially produced in the kidneys of rats with a vitamin B-6 deficiency.

Working with the salt glands of sea birds, two University of Wisconsin researchers think they have discovered the answer to one of the vital processes of nerve function—how substances move across a cell's membrane. The substances apparently responsible for the transportation are two chemicals called phospholipids (part fat, part phosphoric acid), which are found in every normal living cell.

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# In Research

• • •

## Soviet Scientists Say They Can Turn Liquid Fuels to Brick Form

Soviet researchers say they have proved out a means of transforming liquid fuels into solid brick form for easy transportation and storage. But apparently they are having a hard time selling government planners on large-scale use of the process.

The liquid-to-solid conversion idea was developed at the Institute of Fuel Minerals for the Academy of Sciences, U.S.S.R., according to a story in *Promyshlennno-Ekonomicheskaya Gazeta*. The author describes the brick as follows: "Creamy in color, spongy like a head of Holland cheese. You light it with a match, and it burns quietly and evenly. The flame instantly dies out if you blow on it. We cut the brick fuel with a knife—its inside structure reminds one of a honeycomb. It consists of small cells from 5 microns to 50 microns in size, and the cells are filled with liquid gas."

Liquid butane is transformed into a brick, the article goes on, by mixing it with urea-formaldehyde resin, polyvinyl alcohol, casein, and glycerin. The result is a mass of miniature bubbles which solidify and imprison the fuel.

Only 5% of the brick's weight is really solid—the rest is fuel. Prof. B. Losev, head of the team which developed the fuel brick, says tests show the bricks can be transported over long distances and stored in a shed or covered with tarpaulin. They can either be burned in brick form, or squeezed back to liquid form for burning.

• • •

## New Studies on Nuclear Fallout Show Much of Danger Now Is Past

All but about 10% to 15% of the fallout from all past nuclear bomb testing has already fallen to the ground, according to new Defense Dept. studies on radiation in the stratosphere. These figures, announced at last week's American Chemical Society meeting in Cleveland, are sharply at variance with earlier estimates on radiation fallout.

Where previous calculations apparently went astray, according to Dr. J. Laurence Kelp of Columbia University, was in assuming that the tropopause—the layer of atmosphere directly below the stratosphere—was a reasonably stable belt. On the contrary, the later studies indicate that the tropopause has holes in it through which radioactive debris can fall to earth quickly.

The Cleveland meeting also heard encouraging news to calm some fears about the critical strontium-90 fallout:

- Up to 20% of the strontium-90 fallout from nuclear blasts, it now appears, is "soil-locked" and not available to the plants which enter into man's food (the rest of the strontium-90 that has fallen is closer to the surface of the soil, above the level of plant roots). This is the conclusion from tests run by the Dept. of Agricul-

ture's research station at Beltsville, Md. Strontium-90 had been most feared of all radioactive products released in bomb blasts because it causes cancer of the blood (leukemia) if taken into the human body in sufficient quantities.

- Most of the strontium-90 in plants is absorbed through the leaves rather than from the soil, according to Dr. C. W. Christensen of the Atomic Energy Commission's Los Alamos Laboratory. So with most of the fallout already down, if no further stratosphere tests are run, the fear of radiation fallout should be largely a thing of the past.

• • •

## Two Different Forms of Cancer Respond to New Drug Treatments

Progress on several research fronts in the fight against cancer was reported at the annual meeting of the American Assn. for Cancer Research, held in Chicago this week.

Triple cancer chemotherapy (the use of three different types of anticancer drugs simultaneously) has resulted in marked improvement in men with widespread cancer of the testes, according to Sloan-Kettering researchers. The three types of drugs used were (1) an alkylating agent, related to nitrogen mustard, (2) an antimetabolite (BW—Apr. 9'60, p31), and (3) a growth-inhibiting antibiotic. Of 23 patients tested, three have survived up to 18 months with no recurring sign of disease. Twelve others, in shorter periods, have had good or partial response to the treatment.

Treatment with fluorinated pyridines (a kind of organic chemical compound) has produced anticancer activity in 48% of a group of patients with cancer of the large intestine, and substantial improvement in another 11% of the patients. This is the first substantial success ever reported in the search for chemicals to restrain the growth of cancers of the gastrointestinal tract. Seventy-seven patients with cancer of the large intestine were treated in this particular research test program.

• • •

## MIT Experts Near Practical Way To Make Structures Out of Ice

In a new laboratory at Massachusetts Institute of Technology, scientists are making progress in one of the youngest fields of the physical sciences—applied glaciology. Aim of the work is to find practical methods of utilizing snow and ice as inexpensive, large-scale building materials for use in Arctic regions.

Dr. W. David Kingery, head of MIT's Ice Research Laboratory, predicts that engineers will be building practical structures out of ice in two or three years, as a result of recent research in this field. One especially promising prospect: the use of ice alloys (ice combined with sawdust or glass fibers) to increase the tensile strength of the ice.

Researchers are also working on the development of new processing aids, including the use of alcohol and lubricating agents to make the construction of large ice structures practical.



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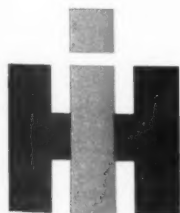
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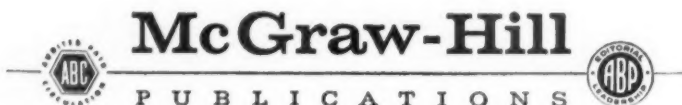
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# In Washington

. . .

## Quotas for Imported Fuel Oil Are Stepped Up by Interior Dept.

The Interior Dept. last weekend reversed itself on one controversial phase of the oil import control program. After saying that quotas wouldn't be eased unless a general, rather than spotty, shortage of residual oil developed, the department opened the door to an additional 12-million bbl. This oil is used as fuel by industrial plants, utilities, and commercial buildings.

Originally, 77.3-million bbl. of residual had been allocated for import from Jan. 1 through June 30. Companies supplying the Eastern seaboard said they would exhaust these quotas by mid-April. The extra quota is to be prorated to the same entire list as the original allotments. Thus, major companies that claimed to be in most serious trouble didn't get all the relief they sought.

In the future, Interior Dept. says it will set import quotas for residual fuel oil quarterly instead of every six months.

. . .

## Phillips Offers a Compromise On Regulation of Natural Gas

In 1954, the U.S. Supreme Court put natural gas producers under federal controls in its decision in the Phillips Petroleum Co. case. Ever since, Phillips has been the guinea pig in the long search for an equitable way to do the regulating.

Last week, Phillips proposed a settlement to the Federal Power Commission. The plan was designed to avoid strict utility-type controls, where the regulating agency sets prices by computing costs and adding a certain rate of return.

In effect, the company argued that the mountain of evidence on its costs gathered in lengthy hearings proves one thing: Phillips' present prices are just and reasonable. So it asked FPC to ratify the current scale, which brings in \$70.8-million a year. This would be a compromise between Phillips' methods of determining costs and those of FPC examiner Joseph Zwerdling, whose opinion is now before the commission for a decision.

Despite the desirability of a quick settlement, to avoid more years in the courts, Phillips' compromise is unlikely to be accepted by all concerned without FPC rulings on the rival methods of figuring costs.

. . .

## Committee Knocks Out \$107-Million For Atomic Research at Stanford

In approving a \$211.5-million authorization for construction of atomic installations in the 1960-61 fiscal year, the Joint Committee on Atomic Energy knocked

out a \$107-million item for a two-mile-long energy accelerator at Stanford University. In its place, the committee put a token \$3-million fund for further studies of design.

Chmn. Clinton P. Anderson says the committee is worried about the rising cost of high-energy physics research equipment and of its operation. He wants the whole field studied before any major project is approved. AEC Chmn. John McCone had estimated the annual operating cost of the Stanford accelerator at \$20-million. He had also said the project is necessary if we are to keep pace with the Russians.

The committee wrote in \$13-million for portable nuclear power plants in the Antarctic—enough money to start construction of at least three small reactors of a type to be chosen by AEC. It also approved \$40-million requested by AEC to build power plants in cooperation with private industry.

Other authorizations voted by the committee include an increase from \$4-million to \$5-million in the fund for biomedical research, including fallout studies; \$5.6-million for a materials research lab at the University of Illinois, and \$2.2-million for a radiation lab at Notre Dame University.

. . .

## Federal School Aid Bills Get Encouragement From New Report

Public school needs—and the cost of meeting them in the next 10 years—received a fresh appraisal this week in a document released by the U.S. Office of Education: National Goals in the Staffing and Construction of Public Elementary and Secondary Schools. Democrats will borrow heavily from it in their battle with the Administration over federal aid to school districts.

Construction requirements for the 10 years add up to 607,600 classrooms costing \$26.8-billion, the report estimates. This includes the existing backlog of needed rooms, replacement of rooms that become obsolete or are destroyed during the decade, and additional construction to accommodate the boost in pupil load in the next 10 years.

To achieve the goal of a competent, qualified teacher for every room, the report proposes salary scales competitive with other occupations. The suggested increases call for average salaries 50% higher in purchasing power by 1963-64 than those prevailing in 1958-59, followed by annual increases of about 3% thereafter.

Nationally, the report estimates, these increases would boost public school salaries from \$6.8-billion a year ago to \$12.4-billion in 1963-64 and to \$15-billion at the end of the decade. It also foresees an increased cost for debt service, if construction is financed over the traditional long term, from a recent average of \$1.5-billion a year to \$2.5-billion in the first half of the decade and to \$2.8-billion in the second half.

These high costs, and the sharp variation in tax resources among school districts, are the issues that will be debated if the House gets a chance to vote on a toned-down \$975-million, three-year program of construction grants that's before the Rules Committee. The Senate has passed a bill authorizing \$1.8-billion in two years for construction and teachers' salaries.

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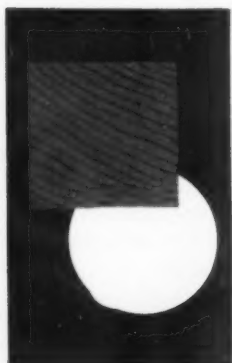
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## Combing the Campus for Talent

**Industry scouts are recruiting hard for top students. Even the average graduate has a better-than-last-year chance.**

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That's how a recruiter for Martin Co. explains what's happening right now on the campuses. As industry's annual collegiate talent search nears its climax, BUSINESS WEEK reporters have been talking to university placement officers and company personnel men in all parts of the country. They have found, in effect, two different job markets:

- For the technical students whose grades are high and whose degrees are numerous, the demand is sensational.

- For the rest of this year's college crop, the market is adequate but unspectacular. Most schools and companies echo the University of Pennsylvania's summary, "a normal good year."

- **The Line Is Sharper**—These two markets have existed for a long time, of

course. But this season the line between them is sharper than usual for a prosperous year. In the frantic days just before the 1957 recession, industry was hiring nearly any candidate who looked decent. Now the stress is on quality.

Even so, run-of-the-mill students and those who majored in the less-sought-after fields are making out better than they have for several years. Says the University of Washington, "The sharp people are doing awfully well. The marginal ones are not having so much trouble as a year ago. Everything is looking up."

- **Interviews Up**—For exhausted recruiters now mailing out their job offers, for the job seekers, and for the placement offices where the two groups met, it has been a hectic season. Interviews were up at most schools—5% at the University of Southern California, nearly 20% at the University of Wisconsin, and more than a third at Carnegie Institute of Technology. They set new highs at Harvard Business School and Michigan State University.

The recruiters were there to hire, not just look. A number of companies said their quotas were 10%-20% above last year's. General Electric Co. wants

25% more technical recruits than in 1959 and 50% more in finance and accounting. Du Pont wants close to 1,000 college graduates this year, compared to 300 last year.

- **Higher Starting Pay**—Salaries are up 3%-5%, on the average. Northwestern University, which forecast a 2.5% rise (BW—Dec.12'59,p89) before competition forced a change of plans, thinks scales may go even higher.

Technical seniors are averaging about \$525 a month, with \$100-\$200 additions for higher degrees. The pay range is wide for nontechnical students—from \$300 to \$500 a month—but the average seems to be considerably more than \$400.

Often base salaries are lower than these, but most companies pile on \$25 increments for summer experience, military service if it's even faintly pertinent (one company criticized the Army for putting a Ph.D. acetylene specialist in charge of smudge pots), age, and marital status. Just about everybody has one or more of those pluses these days.

- **Hottest Fields**—Engineering, especially electrical and mechanical, is still the hottest field. Penn's placement officer sees "no point in sight when the

**. . . this year's recruiting competition, though hot and heavy, is on a high ethical plane . . .**

(STORY on page 111)

engineering demand will be met." Mathematicians, chemists, and physicists are scarce.

Competition for accountants is "very rough," both within the public accounting profession and with industry, a recruiter for a big C.P.A. firm complains. Salary bids are from \$25 to \$100 a month higher than last year's.

Highly specialized training, either in technical or business subjects, is at a premium. There are a lot of takers for Michigan State's graduates in packaging technology, for the University of Chicago Graduate School of Business' new majors in mathematical methods for business, and for students with training in operations research and electronic data processing.

Masters of business administration are doing fine. Those with M.B.A.s on top of engineering or science can practically write their own ticket, Michigan State reports.

In all these fields, demand is up. For many of them, supply is down. More scientists and engineers are going on to graduate school, postponing their entry into the job market. Industry's addiction to mathematicians is fairly recent; not many kids are on to it yet.

Accounting, one recruiter thinks, is suffering from the public image of "a man with a Celluloid collar and green eyeshade perched on a high stool." C.P.A.s are touring high schools trying to sell the idea that their business is as exciting and lucrative as engineering.

• **More Selective**—Even in the scarce areas, though, recruiters are being very selective this year. In the sciences especially, graduate degrees are practically a must. "Our technology is way beyond the bachelor's degree level," says a personnel executive of General Dynamics Corp., which has cut back on its hiring of seniors to concentrate on Ph.D.s and men with experience. GE's quota for Ph.D.s is up 40% from last year. Du Pont says it alone could make good use of the bulk of the nation's new doctorate-holders in chemistry.

Grades count heavily, too. For research and development jobs, many recruiters won't interview below the top third or quarter—sometimes even tenth—of the class. Some say they'll wait a year to fill their quotas if candidates can't meet the standard. Boeing Airplane Co., for example, is going through an "enrichment program"—fewer recruits but of higher quality.

When they pick salesmen and management trainees, recruiters are less arbitrary about academic ratings. But whether the standard be grades, extra-

curricular activities, or personality, everybody wants only the "best" men.

• **Recruiting Tactics**—There aren't many of those, and the competition for them is strong. Techniques range from financing a recruit's graduate study—on company time—to sending out line executives to help the personnel interviewer sell. (Harvard Business School, which sees this device used a lot, says corporate officers make the biggest impression.)

Some companies are dipping down to the junior or even the sophomore level, trying to sign up undergraduates for summer work in the hope this will provide a competitive edge later. Accounting and technical underclassmen are the chief targets, but one producer of dairy products—finding some resistance to the route salesman phase of its management training program—offers that as a summer stint.

• **Travel Costs**—It has become standard practice for the company to pay the recruit's moving expenses. Expense-paid plant visits are also routine; often candidates take their wives along. One appliance maker turns wives over to the home economics staff. "They give the wives pointers—like how to wash clothes. They appreciate it."

Some companies are generous with plant visits. One Drake University student has had 12—too many, Drake's placement officer thinks. Massachusetts Institute of Technology notes suspiciously that its students' expense accounts for such trips are running about 10% above last year.

But mostly the visits are serious affairs. The students come back the next day feeling as though they've done three days' work, according to Penn's graduate business school. Elaborate wining and dining are out now. Few students travel just for fun; MIT says its seniors haven't time to run around the country at corporate expense.

Occasionally a student tries to make a little profit on the jaunt. Now companies insist on pro-rating expenses if a candidate hits several employers on the same trip. Expense account audits are fairly tight. One company threw out a \$50 "entertainment" item; another disallowed a Miami student's rental of an overcoat for his first venture North.

• **Code of Ethics**—There are stories about seniors still in class who are already on company payrolls. Generally, however, the colleges agree, this year's recruiting competition, though hot and heavy, is on a high ethical plane.

The codes of practice put through a few years ago by the College Place-

ment Assn. and the engineering societies apparently have done the trick. Says a former president of the association, "Most companies fell right into line once they knew what to do." After all, one recruiter points out, "We don't want to oversell either."

• **Price of Talent**—Another recruiter comments wryly, "High salaries are the only unethical practice I know of." In this spring's slugfest money does seem to be the chief weapon. Chemistry Ph.D.s are pulling down \$9,000-\$10,000 a year to start. Some accountants are getting \$7,600. One Case senior, a mechanical engineer, was offered \$9,000.

These rates, of course, are for the top talent. The recipients are pleasantly shocked—one Iowa State University student asked the placement office to recheck with the company. But the applicants are catching on fast. Some are holding off on their acceptances, shopping around, even trying to bargain. "They know their services are wanted," says the University of Pittsburgh.

• **More Confident**—On the whole, say the colleges, the student mood is confident rather than cocky. That confidence extends from the technical men down through the business students even to the liberal arts majors. The students, too, are being selective. Some less-favored employers—such as small banks and retailers, insurance companies, a foundation garment manufacturer—find interview rooms empty.

Several schools report a brighter outlook for liberal arts students. Even previously hostile manufacturers are beginning to warm up to them, particularly for sales openings. The placement officer at the University of California at Los Angeles argues that hiring liberal arts men is better than trying to make high-powered salesmen out of second-class engineers.

• **Government Calls**—Manufacturers aren't the only employers on the recruiting circuit by a long shot. There are merchandising, financial, and service companies and outfits like the Young Men's Christian Assn., and Boy Scouts of America.

Government agencies are stepping up their campus calls, too. The U.S. Forest Service is searching business schools for trainees to work in resource management at \$400 a month. The Federal Bureau of Investigation, Internal Revenue Service, Social Security Administration, and state and city welfare departments are among the other bureaus on the prowl.

"Compared to business representatives, these government people are really disorganized," one Midwestern placement officer comments. But on a number of campuses they're getting a better response from students than they used to. **END**

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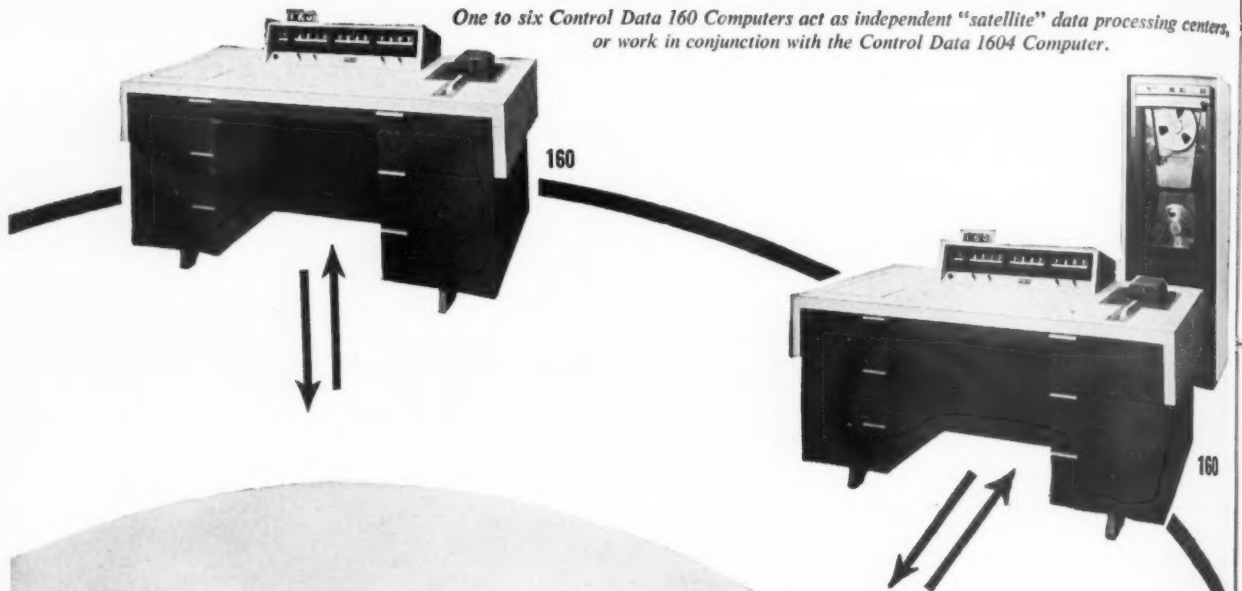


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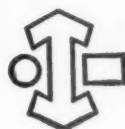
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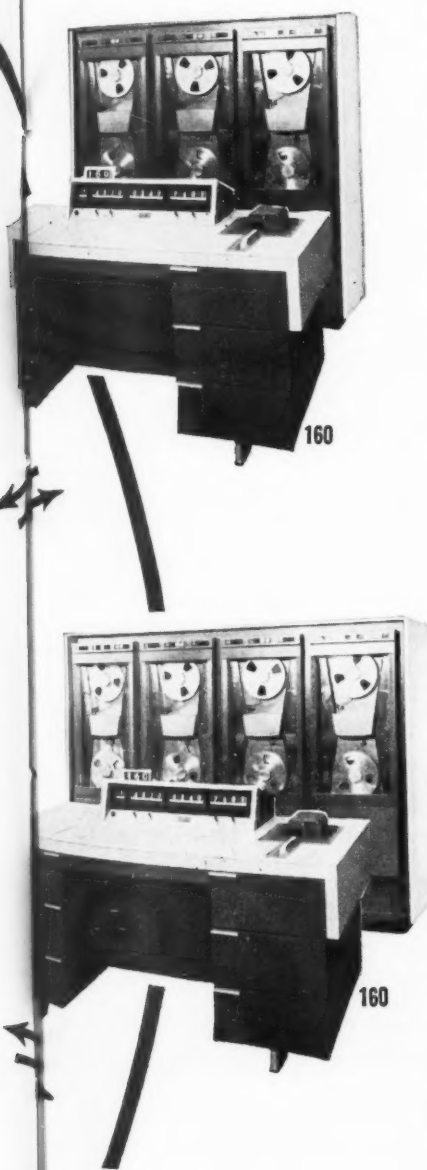
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# Labor "Owners" Veto Sale

Textron offer to buy Cleveland Pneumatic Industries—jointly owned by worker and management trusts—is balked by union opposition, though management welcomes it.

When management and labor share the ownership of a company, whose voice prevails in a conflict of opinion over what course is best for the company? In the case of Cleveland Pneumatic Industries, Inc., one of the world's largest manufacturers of aircraft landing gear, opposition by worker "owners" has prevented the sale of the company for \$12-million to Textron, Inc., a course advocated by Pres. Sam Mullin and supported by management "owners."

Pres. Mullin now is writing "finis" to this latest chapter in a seven-year history of employee "ownership" which has been hailed as a landmark in U.S. labor-management relations. Actually, neither management nor workers hold company stock directly; their ownership is through a unique setup of two separate profit-sharing trusts.

• **Diverging**—The seven-year history of this experiment has had some fairly bumpy going at times; and on the question of the sale to Textron, management and labor views split far apart.

Mullin, faced by shrinking profits, a skyrocketing need for capital, and a future clouded by the military's aircraft-to-missile changeover, had seen Textron's offer as a chance to broaden the financial base of the corporation and restore its competitive vigor.

To the independent union to which most of the worker "owners" belong, the position seemed equally simple but totally different: Cleveland Pneumatic may not be in the pink, but at least it's not in the red, either; so let's hold on. Employees also saw a threat to the profit-sharing system.

• **Stakes**—CPI's trust ownership system, installed seven years ago, was supposed to promise job security for hourly workers, an indirect voice in management, a more sympathetic hearing at contract time and, above all else, a continuing slice of the profits from a flourishing business.

For management the stakes were just as high. Mullin had hoped for an end to union squabbles and for greater employee productivity and loyalty.

And it is true that during the last seven years the former Cleveland Pneumatic Tool Co. has grown. Now diversified out into seven divisions, the present corporation, Cleveland Pneumatic Industries, grossed about \$54-million last year.

The 66-year-old tool company, nucleus of the business, is now the largest division of CPI. It is the 2,700 em-

ployees of this division—500 classified as salaried and "non-overtime" employees, 2,200 as factory and "overtime" office personnel—who are the company's indirect owners as beneficiaries of the two trusts that together own 100% of CPI's stock.

• **Start**—This arrangement came about in 1953, when Mullin feared that the company's already existing profit-sharing trusts for employee retirement might be scrapped. Cleveland Pneumatic was then owned by The Sixty Trust of Boston, a pension trust for Textron employees. Mullin had been general manager for administration at Textron before coming to Cleveland Pneumatic in 1948, shortly after The Sixty Trust bought it for an estimated \$7-million.

Hearing that Sixty Trust wanted to sell, Mullin suggested that his employees buy their company, using as downpayment on the \$11,803,000 asking price the \$2,150,000 then resting in their pension funds. Each employee merely transferred his share in his pension fund to the downpayment, thus becoming a part owner without having to dig into his pocket for a cent.

In actual fact, therefore, employees became only trust fund members rather than stockholders, sharing in dividends and enjoying profit-sharing benefits without having direct influence over company policies. Yet in the proposed sale to Textron it appeared that indirectly they could swing some weight. And as far as stockholdings went, it was the minority that weighed heavier.

For the company stock is held 51% by the profit-sharing trust for the 500 salaried employees, and 49% by the trust for the 2,200 factory and "office" workers.

The setup has still further complications. The 49-ers have the Cleveland Trust Co. as their trustee, while the 51-ers have three trustees—Pres. Mullin and two other men named by him. These four trustees select the persons who sit on the two nine-man investment boards, one for each fund.

• **Recalcitrant Union**—Both labor and management trust fund boards originally voted for the sale to Textron recommended by Mullin. Mullin contended that high costs of new equipment made it desirable for CPI to join a company of Textron's financial strength. He also felt that investing retirement funds in one closely held company no longer provided "adequate" protection.

But Textron stipulated that both Cleveland plant unions—the 2,000-



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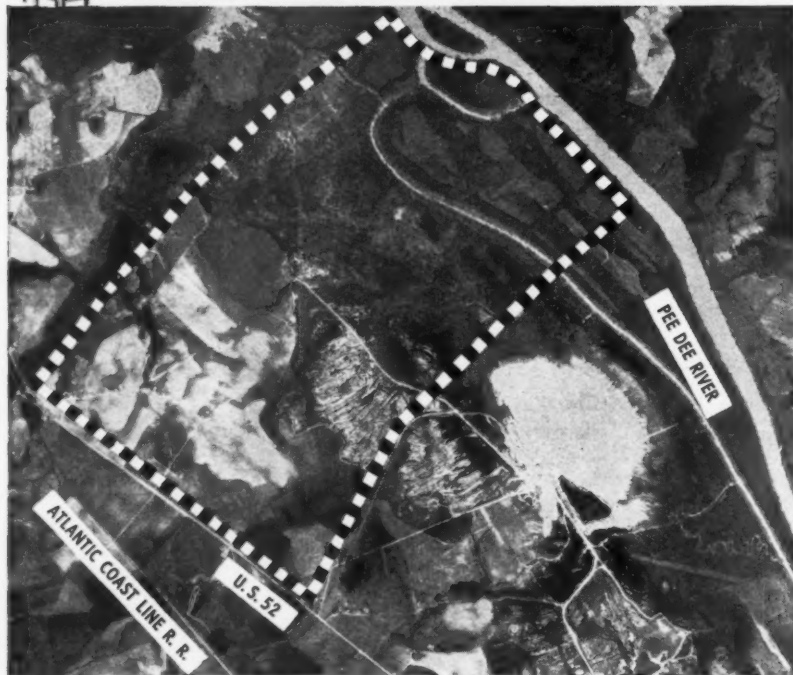
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member independent Aerol Aircraft Employees Assn. and the AFL-CIO Polishers, Local 3—had to approve transfer of their contracts to Textron before the sale could be completed. That was the stumbling block.

The union men just didn't want to give up the piece of CPI they held as 49-ers. "This is no time to sell out," said James Blaha, a tool expeditor there since 1940: "In place of our profit-sharing, Textron was going to give us a pension plan that was a drop in the bucket compared to what we're getting now. Our \$50-million backlog of orders would yield at least 10%, and it's pretty tough to get 10% on your money anywhere else these days."

Frank Pawlowski, AAEA president, though optimistic about the future, finds fault with things "up front." He complains, "we've had just too many men brought in up front who want to make too many changes in the back that aren't really practical. This just adds to the overhead."

When AAEA voted not to transfer its contract, the 49-er trust fund board switched its original stand, and voted not to approve the sale. Mullin, reticent about the whole affair, will say only, "The matter is closed; there's no more to say about it."

• **Earlier Clashes**—This was not the first labor-management controversy in the history of CPI's dual ownership setup. At the time employees became their own "employers," Cleveland Pneumatic had a backlog of \$90-million in orders and an apparently glittering future. But within months, production workers walked off their jobs over wages.

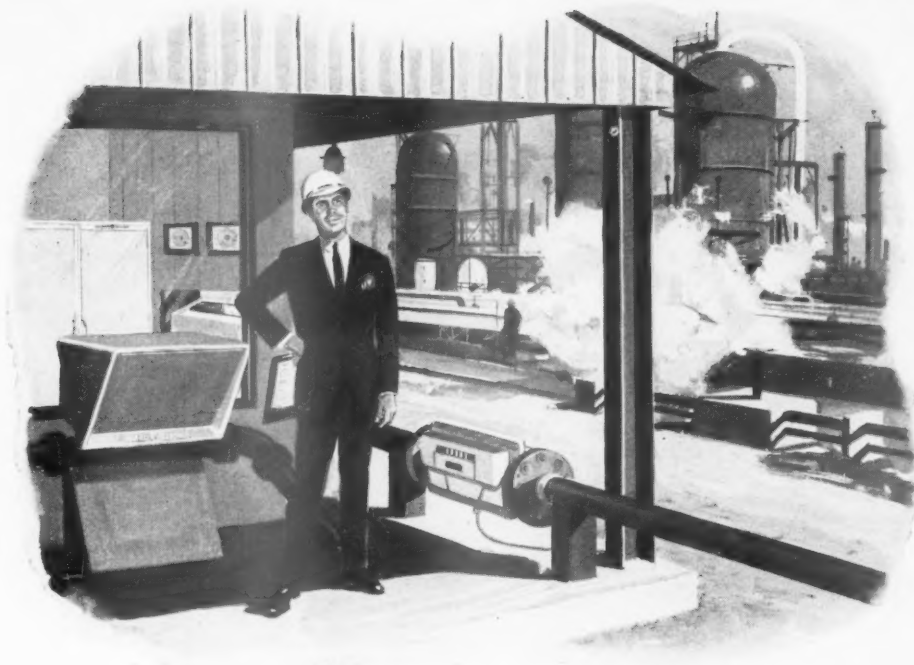
In 1955, a strike over AAEA's objections to subcontracting in the face of layoffs at Cleveland was averted only by the company's agreement to farm out no more work when it would idle Cleveland employees. The subcontracting issue—sometimes involving sending out work to other company divisions—brought strikes in 1956 and again in 1958. Mullin argued in 1958 that the economics of subcontracting meant more profits to share, but workers asked how they could share in profits if they were laid off and out of the company.

• **Future**—Management's position on the proposed sale arises out of concern for the future. As one 51-er, William Millward, admits, profits have been a little tired recently: "The price of machine tools is high, and there's small reason to believe there'll be anything but emphasis on unmanned missiles rather than aircraft. So it's just difficult to be anything but a little uncertain about the next few years."

The immediate future offers something to concern both sets of "employee owners": To meet present operating needs, CPI is expected to introduce new reductions and restrictions on company profit-sharing. **END**



## TODAY'S NEW AUTOMATION



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Top management normally evaluates product quality in terms of satisfied customers and increased sales. It *can* mean much more. The ability to control quality *precisely* can result in increased end-product yield from the same raw-material input . . . avoidance of wasteful over-shooting of specifications . . . elimination of costly scrap caused by human error. *Newly available General Electric automation systems provide the assurance of quality that can mean significantly lower costs and higher profits for many American industries.*

For example, chemical and petroleum industries—long noted for advanced instrumentation—still rely largely on constant human control of processes. Now, General Electric is ready to provide *automatic* control—thanks in part to such G-E developments as the X-Ray Emission Gage and Gyro-integrating Mass Flowmeter. These new sensors will provide fast, accurate process data to our 312 control computer in new G-E systems for the process industries.

Repetitive accuracy and the assurance of quality through General Electric automation are becoming widespread. G-E automation systems are boosting yield in metal rolling, eliminating errors and cutting costs in automatic warehousing, minimizing waste in metalworking . . . to cite a few examples.

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END

1960



## Keeping Genius Alive As Details Mount Up



**PRESIDENT** Maurice Mogulescu finds his artistic employees tricky to handle.

When Maurice Mogulescu, president of Designs for Business, Inc., plucks a dangerously short cigarette stub from beneath his busy guardsman's mustache and lets fly with his fluent sales pitch at a prospective client he's quick to explain away the helter-skelter of his own offices. His reason is simple. DFB hasn't had the time or opportunity to give itself the benefits of the "scientific" planning and frequently avant-garde decorating that Mogulescu proudly shows off when discussing DFB's major office design jobs.

Designs for Business has been surging ahead in the last 10 years on the crest of the booming office planning business. From a total of 14 employees and assignments totaling 97,000 sq. ft. in 1950, it jumped to 98 employees and 1.4-million sq. ft. of projects last year. This growth has made DFB one of the top four in office interior work.

• **Fettered Genius**—As DFB has spurred ahead, it has run into the

problem of how to maintain its creative spirit as the company officers lose personal control over each individual and the firm takes on unavoidable organizational complexity.

DFB's dilemma is a common one in any company setup where creativity, rather than production or other measurable factors, is the major raw material of success and profits. The problem is most obvious in fields such as advertising, but others have the same worries over, say, the creativity of their engineers and scientists.

For a design firm, however, the whole area of art and imagination is an especially tender spot. Try as it may to stress the scientific and engineering aspects of its trade—such as maximum utilization of space and work flow—the final opinion on the success or failure of a project is often subjective. Executives are interested in mail chutes and air-conditioning ducts, but they also must feel comfortable and satisfied



VICE-PRES. Gerald Luss (seated, left) ponders budget details of a job with some of the members of Design for Business' production department.

MOGULESCU brothers (facing, left to right) Joseph, Maurice, and Irving confer with Luss at regular weekly luncheon meeting.



RENDERING of every new office plan must get Luss' final OK. He is credited with much of the company's rapid growth.

LUSS insists he never kibitzes on a worker, but he's apt to turn up at any workbench with a comment.



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about their expensive new offices. An executive is also bound to judge the final result in such abstract terms as whether the decor fits the corporate image, or whether his wife likes it.

• **Two Attitudes**—This unsettling aspect of office design was demonstrated last week when a top executive of a company surveyed his shiny office in the new glittering glass-faced Time-Life tower in Manhattan. He gazed at his custom-designed modern furniture, noted the thick abstract carpet that the title on his door made mandatory, glanced at his private lavatory, then summed up his general feelings about the company's new office setup: "It stinks," he said to a close friend, "but don't quote me."

There's no indication that this abrupt condemnation is general. In any case, the subjective nature of the office design business shows through, for while the dissatisfied executive was turning thumbs down, Maurice Mogulescu was showing prospective clients through the building. On the basis of what they saw, they were signing up DFB to design their new offices.

• **Problem of Growth**—Handling a situation that can be as emotional and ego-involved as moving a company to new quarters can be a pretty ticklish business—even if the client is one that prides itself on its businesslike approach to any problem.

When the design firm is small, however, and is involved in only one or two major projects at a time, the principals in the firm can ride herd over every step in the process, and hold the client's hand during all the decisions.

As a design company grows, however, the men who run it must become supervisors, delegating much of the actual planning and follow-through to specialists and technicians. To businessmen, this may seem the logical sequence. But to the sprouting interior design firm, the process is complicated by the type of individualistic and often arty people who are attracted to the design and decorating fields.

DFB first recognized some of the problems of organizing its creative resources 10 years ago, about two years after Mogulescu hired Gerald Luss, freshly graduated from the interior design department of New York's Pratt Institute.

DFB makes no bones about the fact that Luss was the artistic force responsible for the firm's rapid growth. As Mogulescu puts it, "The smartest move I ever made was in grabbing Gerry when he came into my office with a portfolio of work samples. . . . It didn't take long for us to realize that he was a genius."

Mogulescu, his brothers, and Designs for Business' public relations representatives have worked hard since then to

pin the genius tag on the versatile Gerald Luss. And they have succeeded, at least to the extent that many in the interior design industry often append the word to his name.

• **Down to Earth**—With a live genius on the payroll—Luss soon became vice-president of design and today owns a third of the firm—and contracts pouring in, it soon was obvious that catch-as-catch-can organization and cost accounting had to be corrected fast. Maurice and his brother Joseph, co-founder and vice-president, called on brother Irving Mogulescu, an accountant, to take over the financial end of the business.

With accounting and bookkeeping in professional hands, the Mogulescus and Luss started looking around for ways to get the most concentrated creative effort possible from their growing staff that reached 19 in 1952 and 34 in 1954. As Luss says, "We had to take detail away from creative people." But the demands of more and more complicated planning jobs made this impossible.

The next best thing was to make the detail work as routine and foolproof as possible. For example, they had to make sure that a designer wrapped up in the problem of how to get the maximum number of offices with windows wouldn't forget to order the office doorknobs.

• **Three Steps**—What evolved as the first big step in organizing was a gigantic system of specialized work forms with short-answer fill-in spaces for entering every possible bit of information needed on a job. The designers and decorators still had to do the detail work, but the only one who would worry would be an office paperwork specialist. This left the thinkers free to let their imaginations roam.

By 1956, there were 60 people on the payroll and it was apparent that the four principals in the firm would soon drown in the flood of paperwork they had created. This brought about the second step in freeing DFB's artistic souls from worry—the creation of a production department made up of clerical and other office workers.

This group took over the ordering of hundreds of items needed for each job. They maintained budgets and kept track of the hours worked by employees on each job—these figures are used as the basis for calculating fees. Each month they sent clients a record of where their money was going. This record is made up of two parts: (1) direct costs, and (2) hourly wage rates of DFB people on the project multiplied by 2½ or 3 to cover planning, overhead, and profit.

The third important organizational stage came close on the heels of the second. The major areas of a job were





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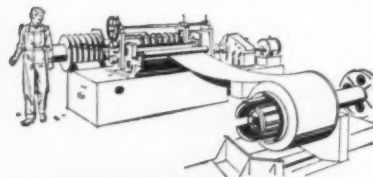
To help meet the demands of tight production schedules, YODER Slitters reduce mill-width stock quickly and economically to desired widths. If your needs are as low as 100 tons per month, time and manpower savings alone will offset the cost of your YODER Slitter in a matter of months, while reducing basic inventories. Compactly designed, standard YODER Slitters are built to handle standard coil widths... completely engineered lines for special requirements.

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**THE YODER COMPANY**  
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broken up into a design department and a decorating department.

• **Coordinators**—At this point, DFB had come a long way from the days when Maurice Mogulescu and a few assistants saw a job through from start to finish. Now each project was run by a five-man committee made up of a project designer, project decorator, production department representative, account salesman—either Maurice or brother Joseph—and Luss.

This arrangement worked out well enough until about a year ago when Luss, who has a say in the over-all planning of every job—he initials every presentation chart—suddenly felt that his own creativity was being undermined by details and supervision responsibilities. To ease the load, Archie Kaplan, an industrial designer who had spent a year as Maurice Mogulescu's assistant, took over a newly created job of coordinating director to stand between Luss and project designers and decorators on routine matters.

• **Signs of Success**—Apparently DFB's attempts to tighten organization have helped—or at the least they haven't interfered with the creative process. The company's sales record shows that it is turning out the kind of office designs that many firms want, and is doing it at a price competitive with other companies in the field. DFB's ability to handle giant jobs like the 200,000 sq. ft. of the projected International Telephone & Telegraph building and meet reasonably well the complex timetables involved indicates that its organization structure performs the job it is called upon to do. The organization chart of a typical project (chart), however, doesn't indicate the clear lines of responsibility and reporting that most companies in other businesses aim for.

• **"Kid Glove" Employers**—No matter how tightly DFB tries to organize its people and keep track of their time, the Mogulescu brothers and Luss know that the creative people they need must be handled in a very personal way, sometimes with kid gloves.

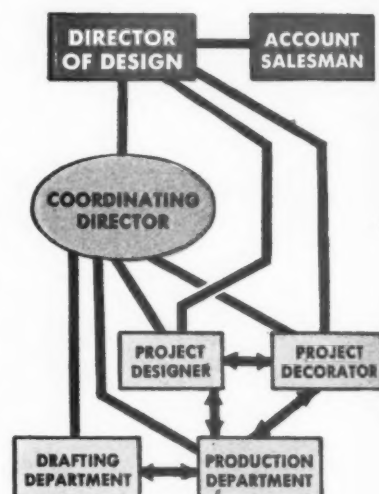
"Whatever the organization structure," says Luss, "no really great work or art is the product of many minds." Besides stressing the individual, Luss is constantly trying to impress on his staff the idea that the organization superstructure is there to free them for creative work and not to hold them down. He insists that he "never walks through the shop to see if my people are bending over their work," but he's likely to turn up unexpectedly at any workbench with a comment or suggestion.

While much of DFB's work is planned by committees or done in concert with others, the officers recognize the fact that the drive of most of their

employees is egocentric. "They are not team players," Maurice Mogulescu says. He adds that if they were team men, they probably wouldn't be good at their jobs.

To help satisfy these egos, Luss and the Mogulescus try to get personal mention of project people into the trade press whenever possible. This, in spite of the fact that many of their designers and decorators have gone out into competing businesses of their own after building up a reputation with DFB. "We're happy to see them go if they want to," says Maurice, "and we even steer them small jobs that aren't right for us, and invite them back to Christmas parties."

## Project Organization

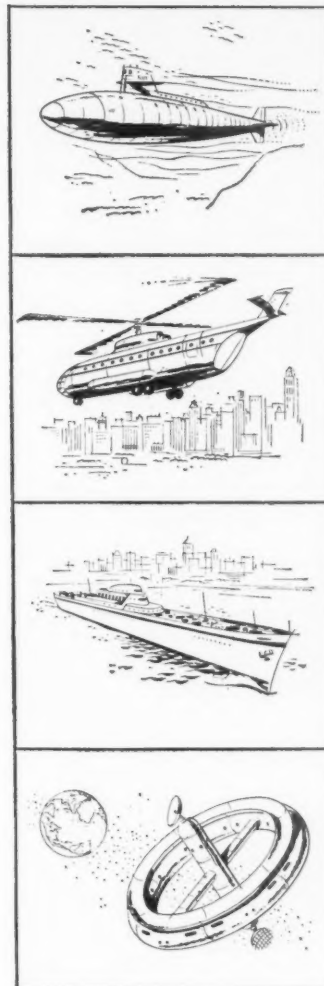
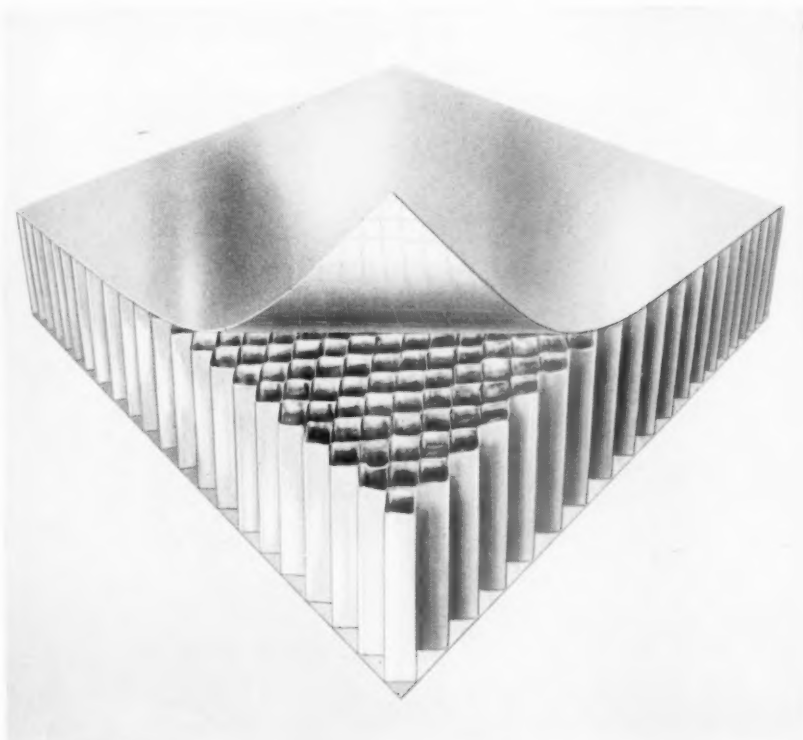


• **Incentives**—But recently, DFB has been more concerned over losing its creative employees. Like other companies with similar problems—employers of scarce engineers and scientists, for example—DFB is starting programs to hang on to its people.

Last year, a profit-sharing plan was set up with an amount equal to 15% of employee salaries going into a trust fund. Funds are set aside every year, but an employee is not entitled to 100% of his share until he has been with the company seven years. This year, DFB instituted a group insurance plan with the company picking up the whole tab.

Compared with companies in other fields, Designs for Business' groping for a management structure and methods of keeping its personnel producing as fully as possible may seem rather unsophisticated. But in the interior design field, where there are still only a handful of companies with anywhere near 100 employees and most firms are much smaller, DFB is regarded as a pioneer in its attempts to find an orderly and efficient way to grow. **END**

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For less demanding applications, principally where the problem is one of strength/weight ratio, Rohr honeycomb panels can be fabricated more economically from other materials and bonded adhesively rather than by brazing.

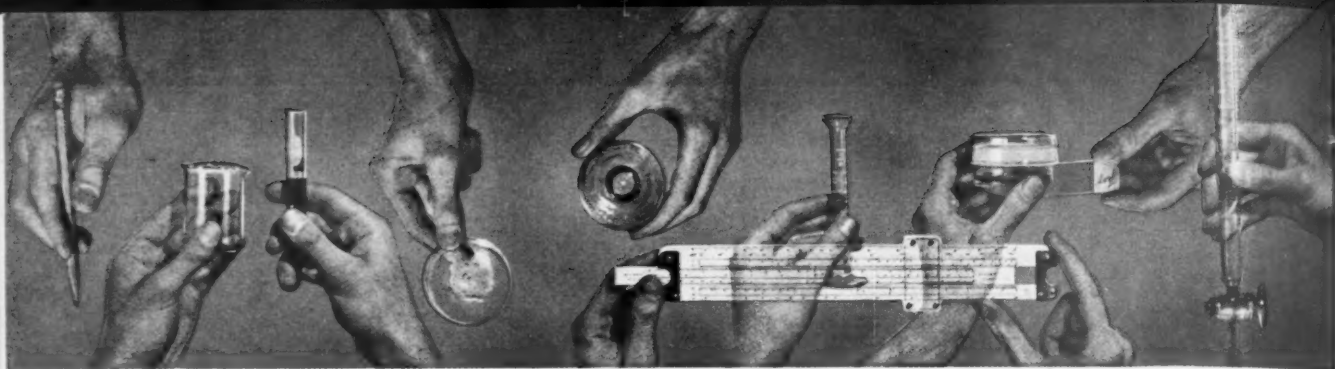
Perhaps you can put this dramatic new material to work in your business. A new brochure, explaining the characteristics of honeycomb paneling in detail, is available upon request. Write Mr. B. R. Alsobrook, Manager, Brazed Stainless Steel Products, Rohr Aircraft Corp., P.O. Box 878, Chula Vista, California.



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# In Management

. . .

## Younger Generation of O'Neils

### Takes Over at General Tire

The second generation of O'Neils took the reins at General Tire & Rubber Co. last week when William O'Neil, who has been ailing for the past five months, relinquished the presidency to his son Michael Gerald, 38 (picture). The 74-year-old founder of the nation's fifth largest rubber company will continue as chairman of the board and executive committee.



Other top jobs went to sons Thomas, made vice-chairman of the board, and John, made chairman of the finance committee. Sales Vice-Pres.

L. A. McQueen was promoted to executive vice-president. He, the four O'Neils, C. J. Jahant (manufacturing vice-president), and D. A. Kimball, president of Aerojet-General Corp., a General Tire subsidiary, make up the executive committee.

Among other top executive changes announced last week:

Harry M. Nordberg is the new president of Pitney-Bowes, Inc., Stamford, Conn., business machines manufacturer. Pres. Walter H. Wheeler, Jr., 63, moved up to the newly created post of chairman of the board and chief executive officer.

After seven months without a president, Brown Co., the Berlin, N. H., paper manufacturer—in which T. M. Evans, chairman of H. K. Porter Co., Inc., recently acquired an interest—finally got one. The man picked was Leonard A. Pierce, Jr., who has been vice-president-operations of Penobscot Chemical Fibre Co. The job has been vacant since A. E. H. Fair resigned last fall (BW—Sep. 26 '59, p70).

. . .

## Stockholders' Annual Meetings Include

### Golf Clinics and Forums on Trade

American Machine & Foundry Co. and Brunswick-Balke-Collender Co., hotly competitive in the sale of bowling equipment, are rivals in the field of stockholder relations, too. This spring both have come up with novel formats for their annual meetings.

To demonstrate its MacGregor sporting goods line "in action," Brunswick is inviting stockholders to a Chicago golf course Apr. 18. Professional golfers will stage a clinic and compete in a match with Brunswick directors, who will don MacGregor tams for the occasion.

AMF's meeting, in New York's Hotel Biltmore Apr. 19, will feature addresses on international business and trade by government representatives and business executives from Australia, Japan, Mexico, Pakistan, Turkey, and the United Kingdom. All the speakers head government agencies or companies that are AMF customers, affiliates, or "partners."

Both companies have used such gimmicks in the past. Brunswick held its 1958 meeting in a bowling center and its 1959 meeting in a school (the company also makes school equipment). AMF telecast its 1957 meeting from New York to Chicago by closed circuit and put highlights of its 1959 meeting on a nationwide radio hookup.

. . .

## Engineers Will Try to Determine

### Effect of Comfort on Work Output

How does an employee's comfort affect his ability to work? What environmental conditions promote maximum productivity?

Some answers to these and similar questions may emerge from tests now getting under way at the American Society of Heating, Refrigerating, & Air Conditioning Engineers' Research Laboratory in Cleveland. The lab is going to study the effects of changes in temperature, humidity, and air movement on workers' ability to perform clerical and light industrial tasks—for example, typing, filing, and electronic subassembly.

The lab's director, Dr. Burgess H. Jennings, hopes to come up with productivity scales that will help plant and office managers decide whether to install such comfort equipment as air conditioning, dehumidifiers, and air-cleaning devices. At current equipment costs and wage levels, he thinks, a productivity increase of 1%-3% might be enough to make the installation pay. In recent government tests air conditioning produced about a 9% rise in per-man-hour output of workers doing repetitive office work.

. . .

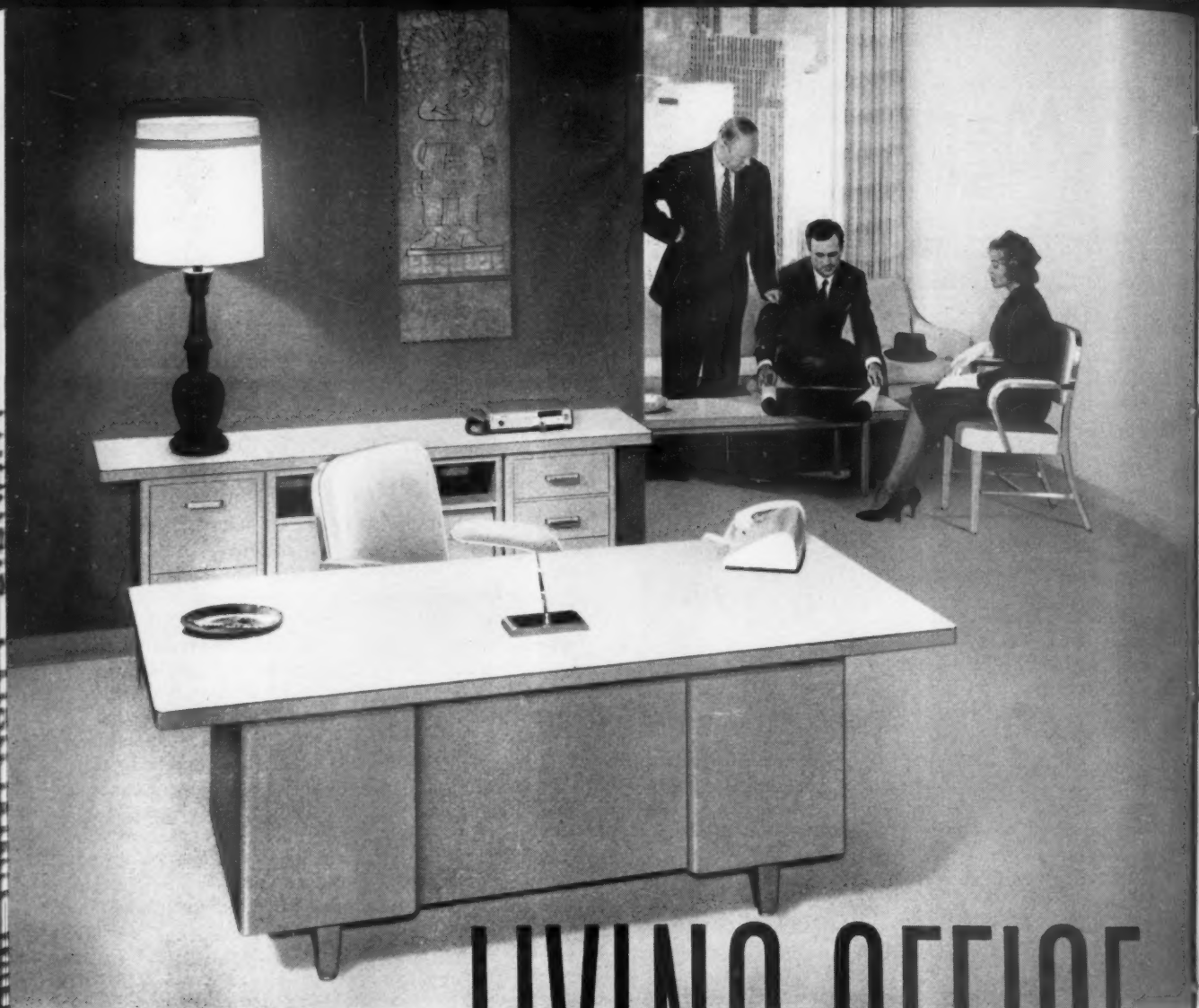
## Secretaries Prefer Convenient Office

### To Modern "Prestige" Building

Secretaries would rather work in an office building that is easy to get to than in an ultra-modern "prestige" building.

That's one of the things Today's Secretary, a McGraw-Hill publication, learned from a national survey of some 800 secretaries made to help New York financier Erwin S. Wolfson plan his projected Grand Central City building (BW—Oct. 31 '59, p32). Most of the secretaries said they would sacrifice salary advantages to work in a building easily accessible to transportation, but less than one-fourth said they would put a prestige building ahead of pay.

Some of the secretaries' other preferences: Offices all on one floor. A partitioned layout, decorated in pastel or muted colors. Curtains on the windows. Recreational facilities, particularly music, for use during coffee breaks and lunch periods.



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## LABOR

# Steel's Shift From C-of-L Base

● A key feature of the USW settlement turns out to be abandonment of cost-of-living boosts as a major clause.

● Instead, the industry takes over the cost of insurance, to which employees had been contributing.

● Steelmen are generally pleased. So may the USW rank-and-filers be. But dissidents in the union may well blast Pres. McDonald for agreeing to the terms.

Cost-of-living wage boosts no longer will inflate steel employment costs—in the current contract or in future wage agreements.

That's what steel industry attorneys and industrial relations people believe is the effect of a complicated compromise in the 30-month steel wage pact signed last January. They believe these other significant changes also will flow from that compromise:

- Almost no cash payments, if any, will be made for c-of-l under the current contract, even if the full 6¢ potential liability comes due—and 4¢ of it already has.

- In future bargaining, c-of-l will be academic; the current contract contains a new principle that will enable steelmakers to check c-of-l demands.

- In effect, the industry now has protection against a further c-of-l inflation of its employee insurance costs.

- Ultra-precise actuarial techniques rather than the Bureau of Labor Statistics index will govern certain forms of cost escalation under the contract.

- **No Cheap Price**—Steelmen who optimistically foresee these changes concede that the price wasn't cheap. They come out of a deal that raised the price of insurance more than 3½ times.

Steel people are only now discussing in public this phase of the agreement.

Meanwhile, they are grappling with a real if less critical problem that arises out of their compromise. That is the problem of passing along to nonunion employees the equivalent of the fringe package that USW won for its people.

As a matter of principle, steel ordinarily gives nonunion people the equivalent of anything USW wins for its members. In the fringe areas of insurance and pensions, it's not a bit uncommon for the nonunion programs to be distinctly better than the contractual programs. Thus, the question arises: How much should you increase programs that are already better?

- **Issue in USW**—The c-of-l issue has an important union angle. Steelmen

don't bring it up—it's none of their concern—but it's plain that the compromise may furnish ammunition to dissidents in the United Steelworkers who will meet early next month to organize another assault on USW Pres. David J. McDonald and his international union leadership.

A steelworkers convention is scheduled next fall, following local union and district elections. International officers will be elected early in 1961, in mail balloting. In 1957, an unknown got half as many votes as McDonald in the first USW election that ever saw a president opposed for reelection; he used McDonald's advocacy of a dues increase as an issue.

- **New Charges**—As a result of the complex c-of-l and insurance compromise, it's possible that USW dissidents will fire these two new bread-and-butter charges at McDonald:

- McDonald made a deal that leaves the c-of-l principle in the contract but only in a way that will produce no cash.

- McDonald bargained away 4¢ in c-of-l wage boosts that had accrued in the last half of 1959 and that a federal court said was legally due.

## I. What Happened?

If all this seems impossibly complicated, it is.

To start the unraveling job, you must bear one thing firmly in mind. It's this:

Steel went into 1959 negotiations determined to wipe out the c-of-l clause that first appeared in an industrywide steel agreement in 1956. In three years it added 17¢ an hour—about one-third—to what steel companies originally figured would be the direct hourly cost of the most expensive package it had ever agreed to.

The USW, of course, had no intention of giving up c-of-l in bargaining. It wanted it continued—and it wanted to write the 17¢ in c-of-l bonuses per-

manently into hourly wage rates—a move that the industry flatly rejected.

- **A Compromise**—The key to this critical c-of-l impasse came when steel agreed to one fundamental USW demand—that employee insurance be paid for entirely by the companies. The solution: Tie c-of-l and insurance tightly together.

The companies had been paying \$9.50 per man per month for insurance—half of a total \$19 package. And they faced some price increases in that package, because they agreed to pay the full cost of insurance, plus some improvements, plus the extra costs that inflation had imposed on some of these insurance programs.

The complicated compromise that was worked out had these elements:

- The parties agreed on a highly technical "base cost" of \$20.16 per man per month for the new insurance package. Both knew at the time that the full cost of the package would be well more than that.

- Steel companies agreed to give two 3¢ c-of-l increments—but no more—if the BLS index rose enough to warrant them. Each would cover a different period in the new contract. Thus, USW agreed to a 6¢ limit on c-of-l no matter how high the index might go.

- USW also agreed that insurance costs beyond \$20.16 per man per month could be charged against the additional c-of-l liability that might come due.

- The 4¢ c-of-l liability that accrued during the last half of 1959—for which USW was suing at the time of agreement and which the court awarded it only days later—was simply dropped.

## II. What It Means

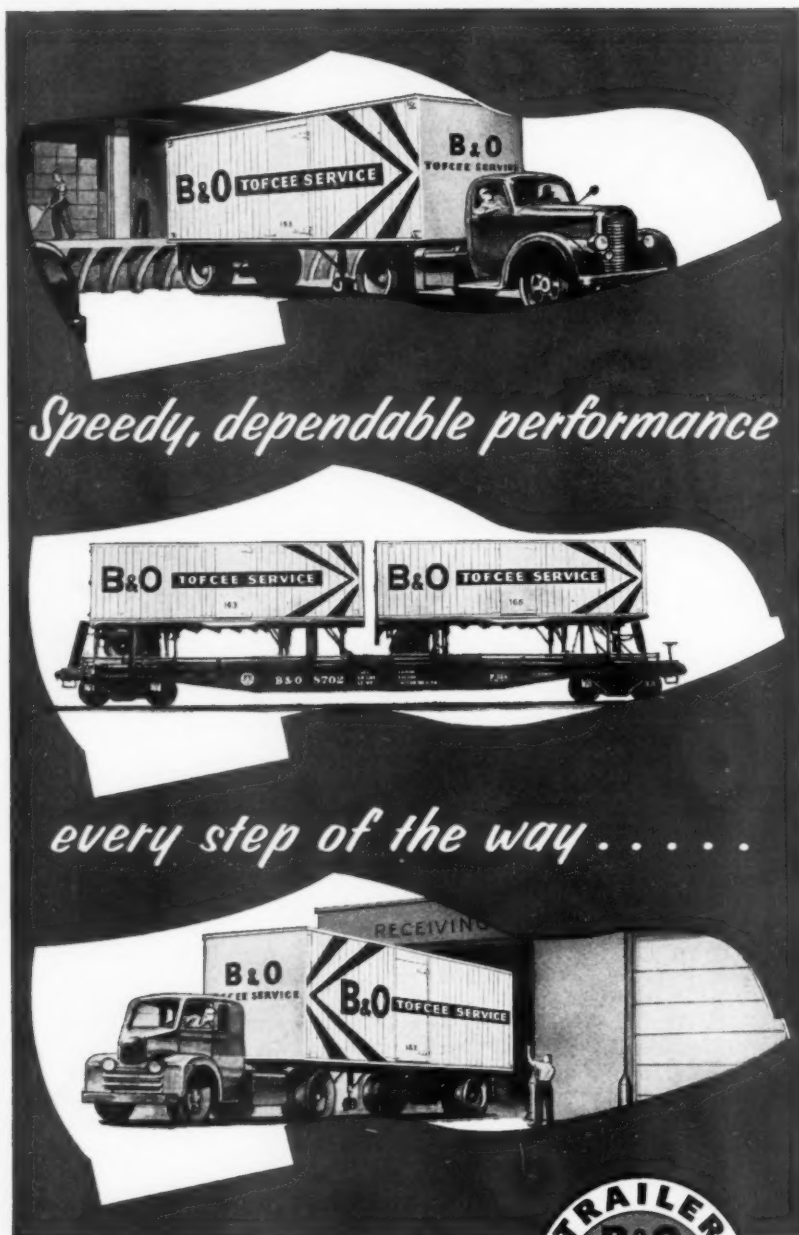
As steelmen see it, that compromise—which disposed of a couple of really tough problems, and thus helped to break a seven-month stalemate—has some very distinct advantages.

For example, they figure that, as a practical matter, c-of-l is now dead. In future negotiations, USW demands for it can be countered with the principle that any new c-of-l liability shall serve as an offset against new insurance costs.

And they've disposed of that 4¢ c-of-l obligation which accrued in the last half of 1959. That would not have involved any retroactive costs, true—but, much more important, it would have raised that indigestible 17¢ component of direct hourly costs which c-of-l put into the industry's total employment cost structure.

Steelmen also figure they've tied in-





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insurance costs so tightly to the BLS index that the potential 6¢ liability of the new contract will generate almost no cash wage costs at all. Industry people say that insurance costs already are at levels which will offset at least 2.5¢ of the first 3¢ c-of-l obligation.

• **How USW Feels**—For the USW rank-and-filer, this compromise means that regular c-of-l additions to the paycheck won't come along as they did during 1957 and 1958. He now has more insurance than he ever had before, and he doesn't have any payroll deductions to pay for it. The question is: will this be better than periodic c-of-l increases, particularly if other unions are getting them?

You can find responsible USW opinion that dissidents who are trying to unseat McDonald quite likely will accuse him of making a bad deal. But that opinion also holds that full-paid insurance was a key desire on the part of the membership in the 1959 negotiations—and that fulfillment of it will offset any anger over the c-of-l provision.

### III. White-Collar Problem

Since Jan. 4, steelmakers have been tussling with the problem of how to give the equivalent of union-negotiated fringes to nonunion people. USW members got a fringe package consisting of \$500 more life insurance, an \$11-per-week increase in sickness and accident benefits, and full payment by the company of insurance costs, plus a one-shot retirement bonus equivalent to one-fourth of a retiring employee's annual salary.

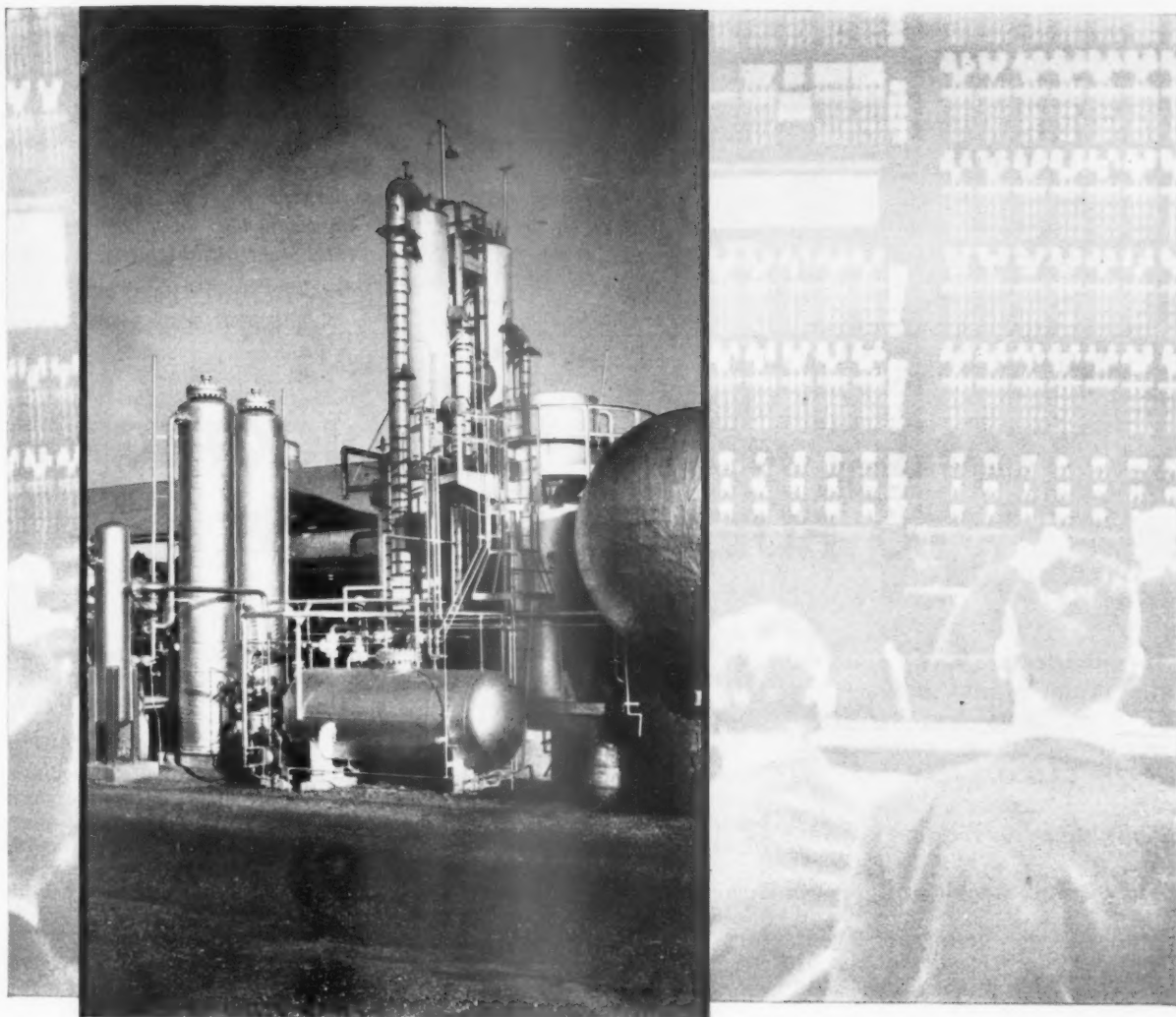
The \$500 life insurance increase wouldn't mean much to most salaried people, since they're already far beyond the new USW levels, and salary continuance widely offsets the higher sickness and accident benefit.

You wouldn't think it would be very complicated to pass along the full insurance equivalent. Still, for some, it is. Some companies flatly refuse comment on what they're doing. Others say quickly they made all insurance non-contributory as of Jan. 1. The guessing is everybody will do that sooner or later.

• **Pension Problem**—But almost no steel producers have decided yet what they'll do for an equivalent to the one-shot pension bonus.

One reason for that, of course, is that both a company's directors and the U.S. Treasury must approve changes in pension programs. Another, probably more compelling, delay is caused by the fact that most nonunion pension programs are contributory. Where they are, the problem in effect becomes this: how much forced saving do you require from a man now so that he may get a 25% bonus when he retires? **END**





## *Turns waste gas into dry ice...through* **Pritchard's GOOD FINANCIAL DESIGN**

How to make dry ice economically from impure waste CO<sub>2</sub> gas. That was the crux of the problem in the design and construction of Allied Chemical's dry ice plant at Hopewell, Va.

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This is another example of Pritchard's good financial design in action in the chemical industry. But good financial design is more than creative engineering alone, more than astute planning and purchasing, more than cost-conscious construction. It's the combination of these

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## INDUSTRY'S CHEMICALS

*what's  
making news?*

*The uranium that powers our atomic navy goes through many processing operations between its being pried from the ground and going to sea. Well done, these operations require integrated chemicals and chemical know-how—and both are supplied only by an industry approach to mining problems. This is the Dow approach . . . that gears products, technical assistance and developmental research to serve the special requirements of specific industries. To management men in every industry using chemicals, this approach means that knowledgeable laboratory and field experience, research and developmental skills in the chemistry of their industry are on call . . . eager to serve.*

# TAKES A HEAP OF DIGGING TO FUEL THE "SKATE"

**To manufacture one pound of the uranium that powers the U. S. S. Skate and her sister nuclear-powered submarines, about 84,000 pounds of raw uranium ore must be unearthed. And when the digging's done, the work—the real "digging"—has barely begun.**

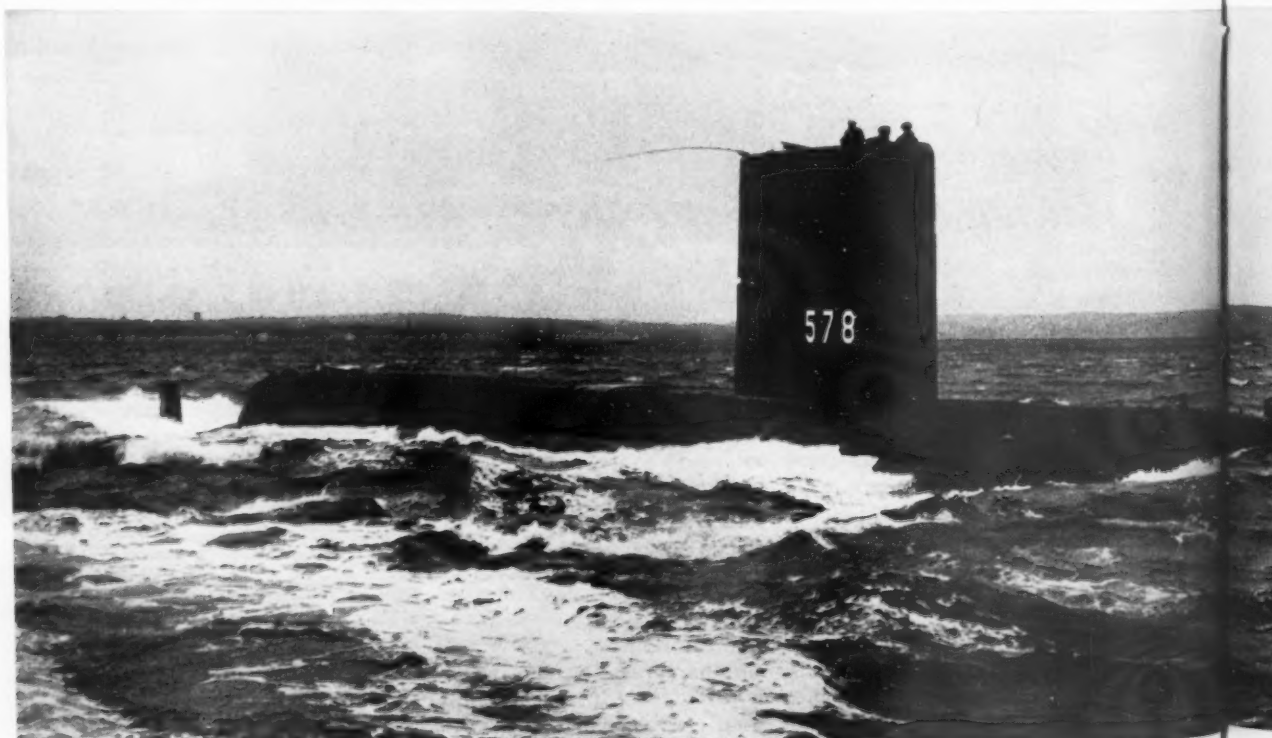
Then begins a series of processes in which great quantities of raw ore are crushed, classified, flooded with water, attacked by powerful chemicals.

There is no one set procedure for recovering uranium. The processor may choose from a number of different mining chemicals—and work with specialists who know how to make these chemicals do the best job for the particular ore being processed. This is the role often

played by Dow's mining technical service staff—an experienced group of men well-travelled in the mining world.

### RECIPE FOR YELLOW CAKE

After uranium ores are mined, they move to a mill where they are ground into fine particles and are then passed into leaching tanks. Highly active chemicals—such as sodium carbonate—are then used to leach (dissolve out) the



uranium. Separan® NP10, a remarkable flocculating agent developed by Dow, is used as an aid for settling and filtration. The molecules of Separan agglomerate the undissolved waste particles, and quickly settle them to the bottom. The final step of precipitation is accomplished with such Dow products as caustic soda, magnesium hydroxide, or ammonia.

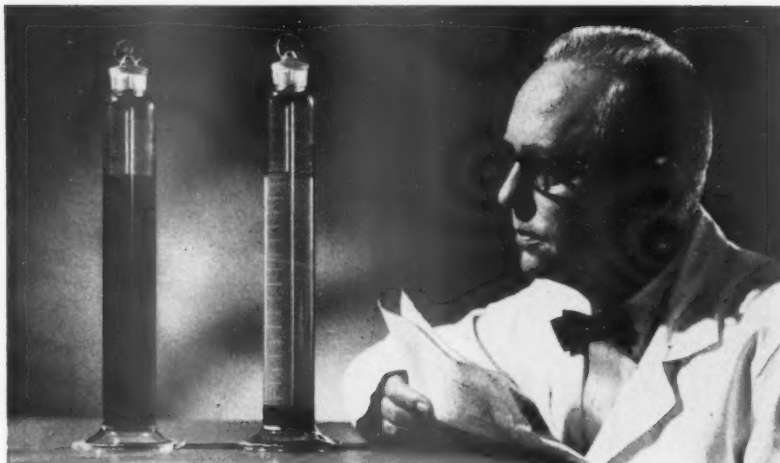
A final precious concentrate of uranium oxide, called "yellow cake," is derived daily from hundreds of tons of ore.

#### MINERALS RIDE THE BUBBLES

Dow's technical service representatives have a large and versatile complement of flotation chemicals at their command, all of which are specialized in function and highly selective in their effects upon different types of ore. Dow Xanthates, for example, help segregate wanted minerals. They selectively coat sulfide minerals so that the minerals will adhere to the bubbles or froth formed by Dowfroth® 250. Once captured by the froth, the desirable ore particles are floated off the top and concentrated.

#### EXPERIENCE PLUS

Dow's experienced staff of flotation metallurgists maintain high service standards throughout the mining industry. Extensive laboratory facilities for mining chemicals research reinforce the efforts of Dow specialists in the field. These labs are concerned with developmental and research work as well as day-to-day problem solving. For example, in recent years they have

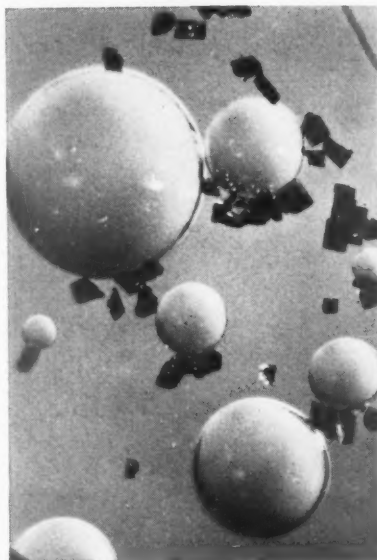


Dow's settling agent, Separan NP10, quickly flocculates waste particles from uranium solution, settles them to the bottom.

helped develop new metallurgical applications for old chemicals and new chemicals for many of our present operations.

#### CHEMICAL TEAMWORK

The processing of copper ores provides another excellent example of the way Dow tech service men work with highly selective chemicals. With certain ores in which the metal content is composed of several minerals, Dow technical specialists may use a combination of different chemicals to achieve the best metallurgy. For example . . . Z®-200 and Z-11, important new collecting agents, are frequently used in combination with Dowfroth 250 in removing copper from its natural environment. The results are higher grade metal concentrates, better metal recovery and increased economy in processing. With chemical combinations such as these, low grade ores can often be utilized that would otherwise be uneconomical to mine for today's market.



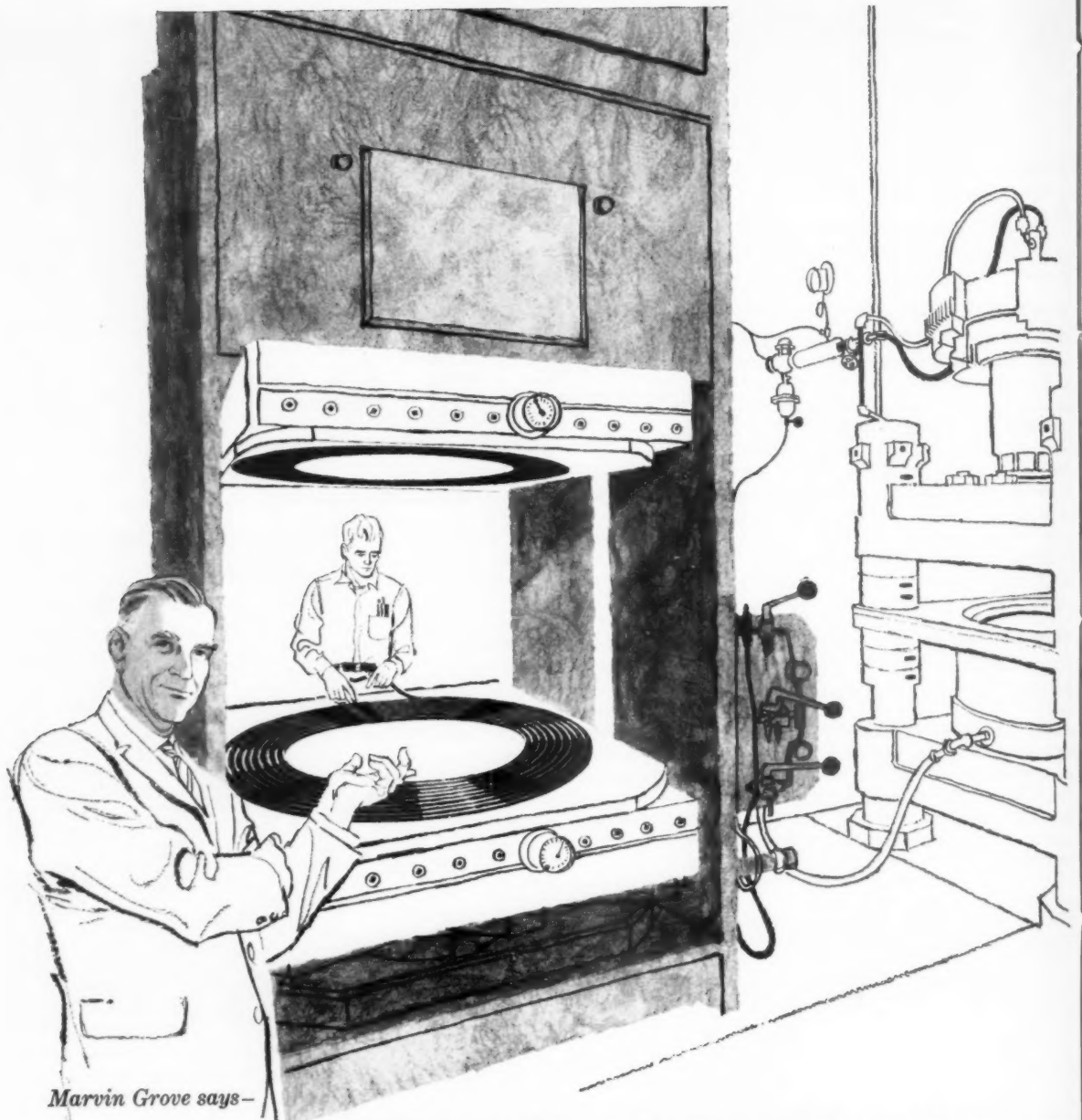
Ore particles cling to Dowfroth 250 bubbles, resulting in better metal recovery and higher grade metal concentrates.

**What about your industry?** This comprehensive interest in mining's chemical problems is typical of the Dow approach to the industries it serves. Dow sales and technical groups are oriented on an industry-by-industry basis and their depth of experience in the operations of these industries frequently proves of inestimable value to Dow customers. We've prepared brief summaries that tell the story of Dow products and services to the automotive, mining, petroleum and paint industries. If you'd like one of these booklets, or more specific information about any of the products mentioned, contact the Dow sales office near you or write THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Merchandising Dept. 302AF4-16.

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# Showdown on Employers' Rights

The 5½-month strike against the two newspapers of Portland, Ore., has turned into a test watched eagerly by management and labor everywhere.

A Portland (Ore.) housewife answered her doorbell one day last week. A neatly dressed workman wanted to know if she subscribed to either the *Oregonian* or the *Journal*, Portland's two daily papers. As it turned out, she did, and, like all regular subscribers to both publications, she had been getting the combined edition put out jointly by the two since the Stereotypers started a strike 5½ months ago.

"Would you cancel your subscription?" the canvasser asked. He explained that he was one of the men on strike and would appreciate this concrete expression of her support. He had a postcard she could fill out and mail. The lady hesitated. Asked if her husband was a union man, she answered yes. Would she talk it over with her husband? She agreed, and the canvasser went on to the next house, leaving behind some literature and cancellation cards.

The striker-canvasser was one of about 800 who desperately made the rounds in Portland last week. They were engaged in a union attempt to cripple publishers' plans to resume separate publication of the two struck newspapers on Apr. 18. The unions hoped that subscription cancellations would do what picket lines could not—block a successful open-shop operation that has been going on since the walkout began.

• **Portland Pattern**—What is happening in Portland is something more than the simple weathering of a strike by two publishers (BW—Jan. 16'60, p110), as important as that may be. That isn't why U.S. publishers are studying the Portland struggle so carefully, or why the unions are so disturbed.

Over the years, printing trades unions have built up iron-clad rules fencing management out of any say in job descriptions, the allocation of work, overtime, or other work matters. This has led to many costly and aggravating work practices.

• **Bogus Type**—The classic example in publishing is so-called bogus type—the resetting in type of national advertisements that arrive in plate or matrix form ready for printing. At one Portland paper, bogus type set and scrapped ran 100 columns a week at a cost of \$400 to \$500.

Another sample of union power: the way printing pressmen traditionally shut down operations whenever the publisher steps through the door. Sometimes this is extended to all manage-

ment. In Portland, whenever the production manager of one paper got up on the deck of the press to check the run, trouble cropped up. Finally, the foreman told him: "The best thing is for you to stay out of the pressroom."

Although many of these practices are peculiar to the printing trades, they point a direction that many in management fear unions are taking throughout industry. Therefore, the managements of other industries are as interested as publishers in pushing a showdown for employer rights in Portland.

• **Against the Ropes**—The unions, however, see Portland as "a fight for survival." The six striking unions—the Printing Pressmen, Photoengravers, Bookbinders, Stereotypers, Typographers, and the Newspaper Guild—are clearly up against it. Some 40 Guildsmen have returned to work. During the strike, management successfully trained a complete staff of replacements, and when the two papers resume separate publications, they expect to operate efficiently with 25% to 30% fewer workers in the striking departments—which employed 850 before the strike began.

One pressroom formerly required a crew of 13 to run a six-unit press; now a crew of seven is doing the job. The two dailies formerly employed an engraving crew of 15 men each; now, they have 12 handling the same work. When paper was brought in for putting on presses, paperhandlers had to turn the rolls at right angles to the track or pressmen would not touch the rolls. Now the paperhandlers' job has been abolished.

The pressroom crew now cleans up after itself and has even found time to do some repainting. As Donald Newhouse, the *Oregonian's* production manager, says: "Jurisdictional lines don't exist any more."

The strike also "exploded the apprenticeship myth," according to management. Stereotypers formerly had a six-year apprenticeship. A replacement crew got along with an hour's instruction. Newhouse now says that six months in any job—except on a linotype machine or in a spot where manual dexterity is required—will give any man a journeyman's skill.

• **Settlement Blocked**—Some 4,000 applicants were screened to hire the replacements. Significantly, the average age in the composing room—almost 50 before the strike—is now 25. Many replacements are recent graduates of voca-

tional schools who had been looking for work but found jobs closed to them because of apprenticeship requirements. These workers aren't likely to quit.

These replacements are the issue that prevents a strike settlement. Management at the beginning said that it was hiring for permanent positions and that it would retain the new employees, no matter what might happen. The unions, of course, insist that the replacements must go and union men be restored to their old jobs. Neither side is likely to shift ground. Considering the general tightening up of all operations and the youth of the new workers, the unions can't count on enough jobs to make a compromise possible.

The unions believe management's strategy is out-and-out union busting. Management disclaims any such crude intention. "We only wish the unions would see the light and give us the break technological change brings to all of us," says one publisher. Publishers point out that concessions given by unions elsewhere had been refused to the *Oregonian*. In Detroit, for example, the union affected agreed to arbitrate the number of men needed for a new machine when it is introduced. An arbitration proposal involving this issue—which originally provoked the strike—was initially rejected in Portland.

• **Bargaining Changes**—There are signs that the Portland newspaper strike may change the whole character of newspaper bargaining. Though the unions may give way somewhat on work practices as new machinery is introduced, it may mean stiffer and harder bargaining as well.

The reason is simple: The Portland strike has hastened a closing of ranks among the newspaper unions. The top international officials of the six striking unions met in Portland last week to beef up efforts to cope with the strike and to plan a nationwide defense.

For Portland troubles, they appointed a single strike boss—Rene J. Valentine, a typographer from Rhode Island—and intensified strike support. These included the stabs at slashing the circulation of the two struck newspapers, as well as boosting the weekly *Portland Reporter*, a 32-page labor-sponsored tabloid.

Nationally, closer cooperation among the unions seems imminent. Walter J. Turner, Printing Pressmen vice-president, said earlier that the Portland meeting had as an objective "the actual merger of all the graphic arts and paper trades unions." The unions won't get this close—not for a while anyway. But events may force them that way faster than anyone in publishing—management or union—would like. **END**

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## Costs Scrutiny....

. . . in American Airlines repair shop at Tulsa leads to TWU "book of rules" dispute—and legal fireworks.

The clang and bustle of a giant aircraft repair machine shop is heard again at American Airlines' overhaul base in Tulsa, Okla. It's a big difference from Friday, Apr. 1, when the cavernous maintenance plant was stilled and the only bustle was that of kibitzers gathered around chess, checkers, and dominoes players in the plant.

This "sit-down" by members of the Transport Workers Union was a prelude to major airline bargaining due to take place this fall. It also was a sign that another industry has joined the list of those wrestling with labor problems stemming from work practices.

• **Jittery Over Jets**—The American Airlines dispute has a background of uncertainty over changes caused by the introduction of jets. All airline managements are jittery over cost estimations; they want to tighten up on costs.

American asked baggage handlers to clean ramps and called on other ground workers for similar concessions. TWU charged "speed up" tactics and countered with "spontaneous" one-hour stoppages throughout the AA system.

American's new vice-president in charge at Tulsa, Lucian J. Hunt, insisted that employees maintain normal schedules. TWU retorted: It is responsible to American for the quantity of work, but it is responsible to the Federal Aviation Agency for the quality of it. It quoted its "book of rules" on work, a familiar TWU tactic for slowing work.

But Hunt didn't buy this. After exhausting the required number of warnings, he fired eight workers who were considered ringleaders and who had refused to carry out direct orders from supervisors.

• **Legal Fireworks**—This led to a walk-out and the modified sit down. It also caused some court pyrotechnics of a kind long associated with the Quill union. The Tulsa local secured a state court order that barred the company from carrying out what the union had charged was a "speed-up" directive from top management and prohibited American from disciplining union members who refused to follow company orders.

Next day, a U.S. District Court set aside the state court restraining order. And, American went to court for one of its own to force its employees to live up to the union contract, which bars wildcat walkouts. **END**

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## GE Savings Plan...

... seems to work well for nonunion, salaried workers. It may have a bearing on what the unions demand.

In 1958, General Electric joined a movement in industry toward employee savings plans. It announced that it would put a GE savings and security program into effect Jan. 1, 1959, for all employees—including hourly paid workers represented by unions, if the unions would agree to it.

GE's plan was similar in basic details to many already in operation; at the time, between 30 and 50 companies had thrift or savings programs for employees (BW—Sep. 6 '58, p. 54). For the most part, they were oil companies whose payrolls were comparatively low in relation to over-all sales and profits. With a few exceptions, large industrial concerns were holding back.

• **GE's Thinking**—When GE, a pattern-setter in electrical manufacturing, announced that a program combining savings and investments would be put into effect for nonunion salaried workers—and opened to union people if they'd agree to it—other employers watched curiously.

GE offered its plan to its unions, particularly the International Union of Electrical Workers and the United Electrical Workers. The unions turned it down because accepting it would require giving up 3 1/2% wage increases due automatically in October, 1958, and October, 1959. They told GE that their members wanted the cash due them—a minimum 5¢ an hour, or more—and couldn't afford to save.

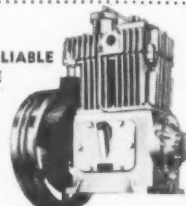
The plan went into effect for the company's 128,126 employees not represented by the unions—including 16,550 hourly paid or production workers. Each could elect to participate in the savings program or stay out of it and get a cash raise. Of the 128,126 eligible, 112,840 signed up—96,105 of them for the maximum savings deduction allowed, 6% of earnings. GE agreed to contribute half of whatever each employee saved to his savings-investment account.

• **No Trend**—The GE plan did not start a trend, although a few other employers have put into effect similar plans—in some instances modifications of GE's. But, after a year, it has solid support among GE's covered workers (94% are participating, one of the highest rates for such a plan in industry), and GE is highly satisfied.

IUE and UE are—officially—as unalterably opposed to the plan as ever. However, some union leaders on local

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levels concede a "lively interest" in the plan among rank-and-filers. Since GE will negotiate a new contract with IUE and UE this fall, this interest might become a bargaining factor.

• **Who Gained More?**—When they refused to accept the savings plan in 1958, the unions got the deferred increases negotiated in a five-year contract in 1955. Covered workers have received two pay increases of about 3½% each, roughly an average 15¢ in the two installments, plus the elimination of a 1% payroll deduction for an employee pension program.

Those participating in the savings and security program agreed to forgo the two 3½% raises and accept, instead, annual 2½% raises starting Jan. 1, 1959, instead of Oct. 1, 1958. They received the same 1% pension concession the union workers were given, dated Jan. 1, 1959. With a handful of exceptions, the participating workers put the entire amount coming due, and more, into the savings program.

Unions and company will argue about which group of workers have made out best. Direct comparisons are tricky.

However, a GE report, due next week, will tell employees that the 112,840 workers who signed up amassed \$79-million in savings during the first year, an average of \$600 each.

• **Growing Investment**—Under the plan, a \$5,000-a-year employee (about average) could have put into the savings and security program a maximum 6% or \$300 in 1959, to be matched on a one-half basis by GE, with \$150. According to GE's figures, this worker could have had at the end of 1959: \$200 in Series E Bonds, at face value; 1.845 shares of GE stock bought with his own money and 1.845 shares bought for him by GE; one share given as a prompt enrollment bonus, not to be repeated in other years, and .0385 shares of GE stock earned through dividends.

This adds up to \$200 in bonds and 4.7285 in GE stock. This week GE stock was about \$92.

The company's savings and security plan was introduced in 1958 in part as an offset against union demands for a supplementary unemployment benefits program. SUB was rejected in bargaining by GE, and the company still opposes it. The issue might come up again this fall, along with union severance pay plan demands—part of continuing "employment security" demands.

Probably with this in mind, GE notes that a \$5,000-a-year employee in the 6% savings bracket for two years would be eligible—under the plan now in effect—to draw \$25.46 per week for 39 weeks of layoff. That comes from his own money and, after six months, the company's. **END**



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# In Labor

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## Marine Union, Bethlehem Steel Hit With Injunctions in Shipyard Dispute

A U.S. District Court this week issued injunctions against both sides in the 11-week strike by the Industrial Union of Marine & Shipbuilding Workers at Bethlehem Steel's eight East Coast shipyards. Both sides indicated that they would appeal the decisions.

The court order against the company requires it to bargain in good faith with the union. The other, directed against the union, enjoins it from mass picketing at Bethlehem's Quincy (Mass.) shipyard where the company's technical department is located. Mass picketing was said to have interfered with the coming and going of nonunion professional and clerical people.

Whether the injunctions can create enough pressure to move the parties toward a settlement remains to be seen. Meanwhile, the lengthening dispute over work rules and job classifications has caused the 17,000 idle shipyard workers to "tighten belts." Weekly food baskets, food vouchers, and soup kitchens for pickets indicate a growing pressure on the union. But union spokesmen have expressed a hope that springtime construction activity will provide jobs for strikers, easing the strain on IUMSW.

Federal mediators say that they plan to wait out the appeal to a higher court, although mediators at midweek were talking to Defense Dept. officials on the impact of the strike on defense work. The movement earlier of Navy work to the Navy's own repair centers has lessened somewhat the effect on defense needs.

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## Senate Votes to Continue Rackets Probe Under McClellan in Rebuff to AFL-CIO

The AFL-CIO lost a major political test in Congress this week when the Senate gave its labor racket investigating committee a new lease on life under its old chairman—Sen. John L. McClellan (D-Ark.).

Federation Pres. George Meany and other union officials publicly pleaded with the Senate to turn over the labor corruption probe to the Labor & Welfare Committee, on which the unions can count a majority of supporters.

However, on Sen. McClellan's request, the Senate voted to keep the labor investigating group intact by turning its functions over to the Senate's Government Operations Committee, a permanent committee headed by Sen. McClellan. The Senate Select Committee on Improper Activities in the Labor or Management Field was scheduled to go out of business at the end of last month.

Union officials complained that the McClellan-chaired

racket-hunting select committee had become "anti-labor." Its continuation, they say, will mean further "harassing" of unions. McClellan argues that policing the new labor reform act requires keeping the committee's functions under his guidance. The Senate voted with him when Sen. Lister Hill (D-Ala.) sided with McClellan rather than with his own committee's request for the policing functions.

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## Schlitz, Pabst Brewery Workers Back on Job After Wildcat Strikes

Production resumed this week at the Jos. Schlitz Brewing Co.'s Milwaukee plant following settlement of a week-long wildcat strike that idled 1,700 workers. Another 1,500 members of the United Brewery Workers already had returned to jobs at Pabst Brewing Co.'s plant.

The return to work ended—at least temporarily—a protest over management's requirement that forklift operators unload pallets of empty beer cases stacked seven high and that operators should get off their machines to help truck drivers.

Underlying the argument over loading procedures was the union's fear of job losses as mechanization is broadened in the breweries. The union contended that the seventh layer of empties should be unloaded by hand, and that lift operators should not dismount to help the truck drivers.

The companies protested that the walkouts were illegal because contracts provide for arbitration of grievances. However, they agreed to limit forklift unloading, at least pending further study.

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## Hutcheson, Head of Carpenters' Union, Convicted of Contempt of Congress

Maurice Hutcheson, president of the big Carpenters' union, was found guilty this week of contempt of Congress. His conviction raised the possibility of a resumption of activity by the AFL-CIO Ethical Practices Committee, which has been silent for many months.

Hutcheson's conviction in federal court in Washington, D. C., turns on his refusal to testify before the Senate labor rackets committee on charges of allegedly attempting to fix a grand jury investigating a highway right-of-way land deal in Indiana, the home state of the Carpenters. Hutcheson had declined to testify on grounds that his case was under investigation in Indiana. The Carpenters' leader was then called on the carpet by the AFL-CIO high command to explain his part in the Indiana land case. But the executive council took no action when Hutcheson said union money and influence were not involved; the land deal was entirely a personal matter.

Hutcheson said he will appeal the contempt conviction, which carries a one-year, \$1,000 maximum penalty.



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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

APRIL 16, 1960

A BUSINESS WEEK

SERVICE

When Pres. de Gaulle and Pres. Eisenhower meet in Washington next week, their talks will revolve mainly around the May summit conference with Premier Khrushchev. This will be Eisenhower's last real chance before the summit to narrow some of the differences he has with de Gaulle.

The two leaders will concentrate their discussions on the big issues where they basically agree. They will have no trouble reaffirming their determination to stand fast on Allied rights in Berlin. They may even agree in principle on the basic need for disarmament. But de Gaulle's defense policy will be a problem. It's bound to make disarmament more difficult, and it certainly will be questioned by Eisenhower.

De Gaulle dreams of building an independent French nuclear deterrent as the backbone of a Continental defense system. The U.S. thinks this is beyond French economic resources, that a tightly integrated NATO offers the best security for Western Europe—and at a cost which it can afford. London this week tacitly accepted this view when it scrapped plans for completing development of the British Blue Streak intermediate missile.

De Gaulle's military ambition could stand in the way of an East-West treaty banning military nuclear tests. The General so far has refused to renounce the right to test, unless general nuclear disarmament is achieved.

To be sure, de Gaulle might conceivably halt French nuclear tests if the U.S. would share its knowhow with him on the same basis as it does with the British. But Washington is unwilling to do this for two reasons: It doesn't want to spread nuclear power to additional nations when a test ban agreement offers some hope of curbing the arms race. There's also the fact that some uncertainty still hangs over the political future of France—largely because of Algeria.

The deadlock in Algeria is certain to come up in the de Gaulle-Eisenhower talks. Now that the General's policy of self-determination for Algeria seems to have failed, it will be hard for the U.S. to continue to back France on this issue in the U.N. The U.S. is under strong pressure from Asian and African nations to return to a neutral policy on Algeria.

There's still no solution in sight for the trade fight that has been dividing Western Europe—pitting the six-nation European Economic Community (EEC) against the seven-nation European Free Trade Assn. (EFTA).

Still, the two trade blocs seem ready to stop their open feuding until after the summit conference. Moreover, there no longer is any reason why they should be at each other's throats come July 1. That was the date when EEC had expected to accelerate its timetable, leaving EFTA to its own devices.

Now the plan is for EEC to go a bit slower and also to make concessions to EFTA. This became inevitable last week when the Bonn government—under pressure from West German industry—stalled on the accelerated schedule proposed by EEC's executive body, the Commission (BW—Apr. 9 '60, p129). The Commission proposals, even with modifications, aren't likely to go into effect until the end of the year.

Here are two ways the proposals may be modified:

- Certain industrial products, including autos, would be left out of EEC's common tariff temporarily. This would be especially important for producers

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**

**APRIL 16, 1960**

who ship these products to West German and Benelux markets. Under the original Commission plan, many German and Benelux tariff rates (for outsiders) would have gone up July 1.

- West Germany would make its first moves toward the common tariff in two stages, thus easing the problem for non-EEC members.

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The South African government has not been rattled by the attempt to assassinate Prime Minister Verwoerd. The government now intends to push its apartheid policy even further.

South Africa probably can ride out the storm. That, at any rate, is the feeling of many big financial institutions in London. During the first part of this week, they were buying heavily into South African gold mining shares. These shares, known as Kaffirs, have slumped 25% since the beginning of the year, as Swiss and French investors unloaded them.

Even so, London observers take a dim view of South Africa's future. They expect a violent uprising by the Africans within the next three years.

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The U.N.'s Economic Commission for Europe has just urged West European countries, for their own good, to import more from the U.S. ECE, which has members from Soviet-bloc countries, advises West European governments against combating inflation by depressing total demand with either restrictive wage policies or tight money.

What Western Europe needs, it says, is an increase in competition through a greater flow of imports—"principally from the United States." Moves to depress demand, says the report, may strengthen Europe's balance of payments but also may result in protective measures by the U.S.

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Disaffection with Fidel Castro's regime is beginning to appear in Cuba. Much of it is coming from within the revolutionary movement itself. Some of Castro's one-time supporters feel that his government has fallen under Communist control.

Several of Castro's colleagues, who had followed him from the start of the revolution, have defected. One is leading an armed band in the Sierra Maestra mountains in eastern Cuba, whence Castro came in early 1959. This week, an air attache in the Cuban Embassy in Mexico City renounced his allegiance to Castro's regime, charging that it "wants to transport our green tropical island to the snowy steppes of Russia."

Outside the revolutionary group, a few labor leaders are reportedly uneasy over Communist influence, as are some Roman Catholics. The Church hierarchy has not commented formally, but groups of laymen have protested.

Washington is biding its time. The State Dept. continues its policy of patience with Cuba but is taking a firm line in answering Cuban charges. This week in Havana, Ambassador Bonsal delivered to the Cuban Foreign Ministry three diplomatic notes that are polite in tone but resolute in content. They reject three Cuban accusations of unfriendly U.S. actions. Earlier, Pres. Eisenhower, in a letter to Chilean students, criticized Castro for not living up to avowed principles of his revolution.

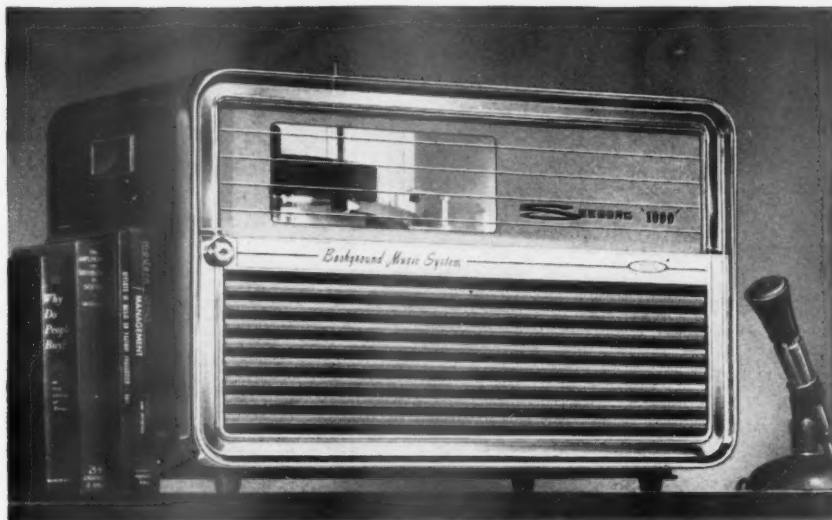






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**TRUCKS** loaded with furniture, office equipment, and archives are ready to move out of Rio de Janeiro for the trip to Brasilia, Brazil's new capital, 760 mi. inland.

**CARAVAN** of trucks enters Brasilia at night after three days on the road from Rio. Government workers and their families traveled to new capital by plane and bus.



**DIRECTOR** of the huge moving operation is Col. Braga (left). Map shows route to Brasilia and checkpoints for drivers.

## Brazil's Big Move To Dream Capital

Through the tropical night, hundreds of headlights are now cutting across the hills and savannas of Brazil's central plateau as trucks laden with furniture, office equipment, archives, and personal belongings pound along a new highway toward a city still being built.

Brazil is moving its capital from the seacoast city of Rio de Janeiro 760 miles inland to Brasilia, a modernistic city rising in the wilderness.

• **Official Migration**—Each day, government workers, ready to set up house-keeping and go to work in the new capital, arrive by plane, bus, and a few private automobiles. They are part of a migration of 2,400 government officials, workers, and their families—and dozens of adventurous free enterprisers—to the country's new capital.

Not all are coming in conventional transportation. Somewhere along the route from Rio plods Placido de Antonio Alaves, Brazilian flag sewn to his knapsack. He set out a month ago from Rio's Catete Palace, the presiden-

tial office, to make the trip on foot as a demonstration of his personal faith in the new capital. And behind—or ahead—of him, another Brasilia fan, legs useless, rolls on in a wheel chair.

Next Thursday, Pres. Juscelino Kubitschek is scheduled to inaugurate Brasilia, which is now half construction camp, half county fairgrounds before opening day. The inauguration will be the vindication of Kubitschek's determination to fulfill a 60-year-old Brazilian dream, a triumph over foes who said it couldn't be done. The president hopes that Brasilia will open up Brazil's interior, a huge region with a wealth of natural resources yet undeveloped.

Brazil's situation is reminiscent of the U.S. in 1800, when Washington became capital. From then until after the Civil War, "capital movers" wanted the capital back in New York or Philadelphia. They called Washington "Wilderness City" and "A Mudhole almost Equal to the Great Serbonian Bog."

• **The Big Move**—The move to Brasilia





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**OPEN AIR MARKET** is one answer to the distribution problem in the new capital. In the background are modernistic apartment buildings for city's new residents.



**CONSTRUCTION** work in Brasilia continues even though inauguration ceremonies will be held next Thursday.

# New "hide-and-seek" missile bases on rails



A time-tested principle of warfare—swift maneuverability—is the railroads' newest contribution to the Missile Age.

Mobile launching pads on wheels will be able to fire missiles of intercontinental range from almost any point along the nation's 220,000 miles of railroad line. Most importantly, the mobility of these bases protects against enemy detection and destruction.

This development, announced by the Department of Defense, underscores once again how the needs of the nation are met by the railroads—the backbone of our transportation system in war and peace.

And it's one more reason why the health of the railroads must be assured through enlightened public policies, providing for equal treatment with competing forms of transportation. America's railroads—lifeline of the nation—are the main line to your future.

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began in February, 1958, when a presidential decree set up a group to plan and execute the transfer of the government and its staffs. Primary responsibility for the move was given to Lt. Col. Greenhalgh H. Faria Braga, of the Army Supply Corps.

Last January, the Brasilia Working Group was set up to transport people, their personal belongings, and the government offices to Brasilia. In mid-March, the migration began, reaching its peak this week. Two trucking companies using 600 to 800 trucks, two airlines, and a bus line are doing the transporting.

• **High and Healthy**—Moving into the city that was started from scratch four years ago is an exhilarating experience for most. Some of those who came by air have been greeted by a bus driver boasting the healthy climate. "We are 1,200 meters high here," he says, "and I haven't taken a pill in two years."

On the way from the airport, the bus rolls down a wide mall past huge blocks of Oscar Niemeyer-designed apartment buildings. It jounces around an unfinished overpass, raising a cloud of red dust, turns off at a string of low-cost duplex apartments.

Newcomers will be put up in these "Casas Populares," until furniture for their permanent apartments arrives from Rio. Until they can do their own housekeeping, the families will eat in canteens run by the government.

"The main problem in the move," says Dr. Filinto Epitacio Maia, executive director of the Working Group in Brasilia, "is how to spare the newcomers the emotional shock of jumping from cosmopolitan Rio to rather pioneer but modernistic Brasilia."

His thoughts are echoed by Federal Deputy Jose Neiva Morcira, who is in charge of transferring the Chamber of Deputies. "Whether Brasilia is a fit place to live is largely a personal question," he says. "For those who were well off in Rio, maybe not. For someone from the interior where things are rough, maybe."

• **Human Problems**—He cites two touchy questions with which he has had to tussle. One concerns couples where both work for the government but only one was assigned to Brasilia. His solution: Both came to the new capital and the unassigned spouse continues to draw salary while remaining "at the disposition of the president."

The other he calls the "single vs. double bed crisis." Furnished apartments in Brasilia come with single beds. Conservatives, especially among the congressmen, balked at this, branded the single bed a threat to the stability of the Brazilian family. They saw the whole thing as a plot to socialize individualistic Brazilians. Solution: "Bring your own double bed if you want it."



NEW RESIDENTS lean out of their apartment window to watch as their mattresses are carried into the building. The migration from Rio to Brasilia began in March.

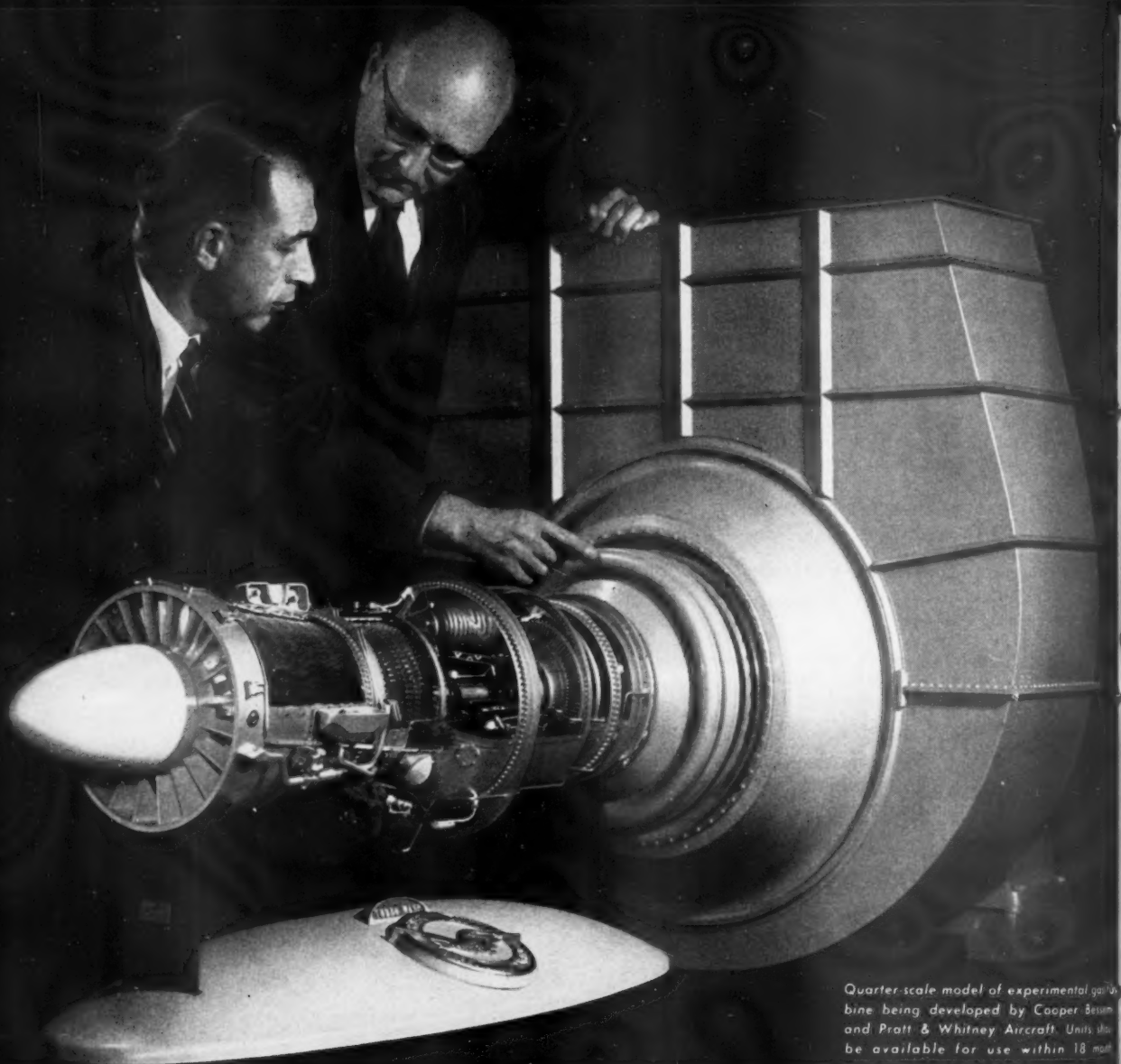


MEALS are provided in canteens set up by the government for newly arrived families, who live in furnished apartments until their furniture is shipped to them from Rio.



TOURISTS also have started to arrive in Brasilia to look over their new capital. These women are strolling in front of the palace that will be occupied by Pres. Kubitschek.





Quarter-scale model of experimental gas turbine being developed by Cooper-Bessemer and Pratt & Whitney Aircraft. Units should be available for use within 18 months.

## How Cooper-Bessemer is teaming up with Pratt & Whitney Aircraft to develop JET TURBINE POWER for industry

The cutaway model shown is a revolutionary new concept in gas turbines. The generating unit is a new Pratt & Whitney Aircraft jet engine—a modification of the famous J-57 aircraft engine, designed for gas fuel. The companion power unit is a new Cooper-Bessemer power turbine. This combination, now in the advanced experimental stages, represents the hottest development in industrial power in 20 years. It will mean drastic economies in installations of engine-driven compressors, generators and other rotating machinery.

For example, it is expected to materially reduce the construction cost of gas compressor stations.

Plans call for this new gas turbine to be available for broad application within 18 months. In the meantime, watch for reports on further developments in this pioneering teamwork by Cooper-Bessemer and Pratt & Whitney Aircraft.

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# In Business Abroad

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## British Rubber Industry Stretches Further Beyond the Iron Curtain

With its big tire plant in Russia close to completion, Rustyfa, Ltd.—a British consortium of six companies headed by Dunlop Rubber—is drumming up business in other Soviet-bloc countries.

Rustyfa has already signed up Rumania for a tire plant, it's bidding for a proposed tire plant in Hungary, and now there's a report that Poland is "interested" in a Rustyfa tire plant.

The \$42-million plant under construction in Russia (at Dnepropetrovsk) may be completed late this year under a contract signed in early 1958.

At the same time, Russia is spreading more Soviet-style largesse abroad. It has signed an agreement with Ethiopia to finance and build the African kingdom's first petroleum refinery—a \$12.5-million project.

In the Middle East, Russia is said to be offering the United Arab Republic a low-interest \$85-million loan for development projects in Syria. If this goes through, it will revive a three-year-old agreement the Russians signed before Syria became part of the U. A. R. in 1958.

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## U.S. and Italian Motorcycle Makers Join Forces to Tap Common Market

Harley-Davidson Motor Co., Milwaukee motorcycle maker, has set up an Italian manufacturing subsidiary in order to "get into the Common Market and to protect our other markets abroad."

The subsidiary, Aermacchi Harley-Davidson, is jointly owned with Aeronautica Macchi S.P.A., Italian manufacturer of motorcycles, motor scooters, and aircraft in which Lockheed Aircraft Corp. holds a minority interest.

Pres. William H. Davidson told BUSINESS WEEK that imports into the U. S. and Canada from the Italian plant "will comprise only a small percentage of total domestic sales." Since imports won't be competitive with Milwaukee models, it's presumed European models will be lighter than the 800-lb. American Harley-Davidsons. Most European models weigh about 425 lb., and the Italian company's motorcycles will be of "typical European design."

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## Venezuela Asks Industry to Participate In Plan to Expand Nation's Resources

Venezuela indicated this week that it will follow a middle course between proponents of public and private development of the nation's resources.

Pres. Romulo Betancourt's administration published a draft policy declaration saying that the government will expand steel and chemical manufacturing facilities while also encouraging private development. It says that the government will grant no more iron ore concessions but will invite offers for joint government and private development of ore deposits and installation of processing plants.

The Cabinet must approve the declaration, but little change is expected in the final version.

To pay for planned chemical and steel expansion, Betancourt's government is attempting to borrow \$200-million from a group of U. S. banks. Part of this loan will be used to set up a national oil company.

In both chemicals and steel, the declaration appears to open the way for private investment in facilities that complement existing and planned operations. It further states that since the government cannot make the necessary investments to exploit the rich Cerro San Isidro iron ore deposit, it is willing to enter into joint ventures to do so. Venezuela would contribute the ore deposits as its share of the capital, the other partner would furnish plant and equipment.

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## Mexico Finds New Market for Cotton; Russia Buys 20,000 Bales—for Cash

Mexico has found a new customer for its cotton: Russia.

A series of cotton sales to the Soviet Union were announced last week by several Mexican companies. Sales totaled nearly 20,000 bales valued at \$2.8-million.

"The Russians are not trading, they're paying cash," one grower told a BUSINESS WEEK reporter.

Company with the biggest sale—6,500 bales—was Algodonera Comercial Mexicana. A high company official, Garcia Gordo, quoted the Russians as saying that this was "just the beginning" and that larger orders will be placed in the future "if all goes well."

Growers agreed that Russia's purchase of Mexican cotton was stimulated at least partly by the visit of Deputy Premier Mikoyan earlier this year.

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## Business Abroad Briefs

Mexico will begin trading tequila for Japanese machine tools—if a market test starting soon shows the Japanese take to the potent derivative of cactus. This was reported by a spokesman for the Japanese Machinery Exhibit in Mexico City.

Four Western airlines are starting jet service to Moscow this month: British European Airways, Air France, Scandinavian Airlines System, and Sabena of Belgium (which offers a New York-Moscow route in a Boeing 707 with a 14-hour layover in Brussels). All have been flying propeller aircraft into Russia while the state-owned Soviet airline has been offering jet service in its TU-104.

CREATING A NEW WORLD WITH ELECTRONICS

## HOW TO HEAR A FL



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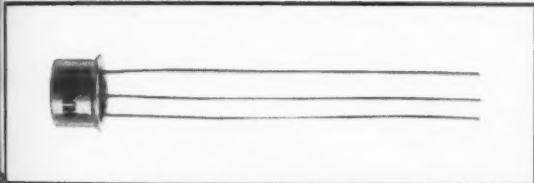
## R A FLOWER BLOOM

When you stop to think of it—flowers do make sounds as they blossom. They may be audible only to the other flowers, but with enough amplification you could hear them, too.

Modern electronics depends on amplification... turning tiny signals into larger ones... to run radios, TV sets, computers and thousands of other devices.

More and more, the job of electronic amplification is being assigned to the tiny, rugged transistor. Actually, the transistor is an electronic valve. The signal to be amplified is used to control power in the same way that a mere twist of the valve controls a powerful stream of water in your garden hose.

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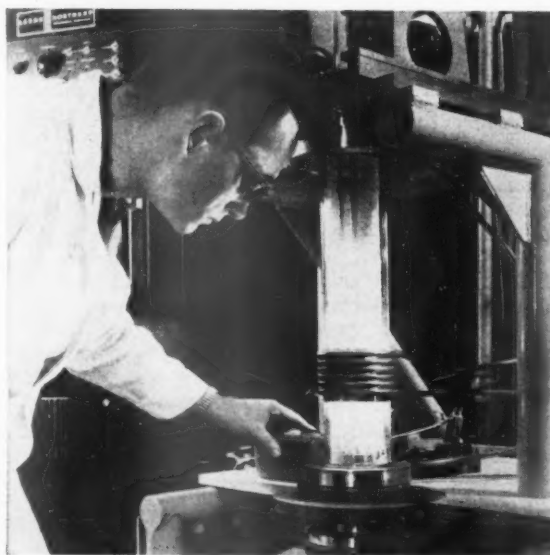
*A Hughes transistor...actual size*

reliable transistors. To achieve this goal, Hughes has invested several million dollars in an ultra-modern semiconductor plant. Here, the achievements of the Hughes laboratories, with their thousands of scientists, are being translated into the most advanced and reliable types of electronic "hardware."

Hughes is also a leader in the development and manufacture of diodes, rectifiers and other solid-state devices. In addition, Hughes makes TV-like storage tubes that "remember" pictures, words and numbers...precision crystal filters...special purpose instruments...microwave tubes...thermal relays...and complete industrial control systems. With an eye for the needs of tomorrow,

Hughes is now developing new "molecular electronics" devices to meet the ever-changing needs of our society.

All Hughes products are known for high levels of reliability. No wonder. Behind them is the expe-



*This Hughes engineer, shown growing a silicon crystal, is part of the team of engineers and scientists who are continually probing the frontiers of advanced electronics.*

rience of 5,000 Hughes engineers and scientists in the research, development and manufacture of advanced electronic equipment. This know-how can help you, too. We will welcome the opportunity to show you how our experience can improve your product or make your new idea into a profitable reality.

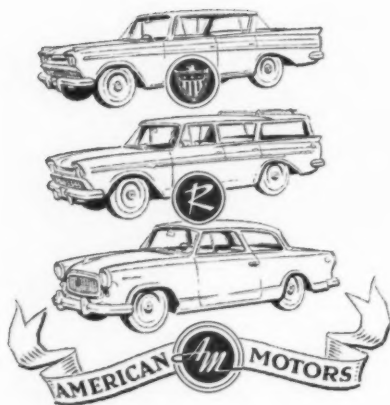
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"Rambler started, and continues to lead the Big Turn to compact cars, taking third place in production in 1959. Sales in 1960 are ahead of last year's record rate. One big reason for Rambler's success in the compact car field is outstanding product quality—careful workmanship and fine materials, including the best steels available, a substantial amount of which comes from the Sharon Steel Corporation, Sharon, Pa."



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# Stocks That Hide Their Charms

● Investors in today's skittish market are scrutinizing balance sheets in a search for possible 'asset plays.'

● An asset play involves stock selling below the company's book value or representing a rich untapped profit potential.

● Dealing in such stocks can push the price rapidly up, and sometimes the eventual rewards are handsome.

A few weeks ago, the stock of little-known Natus Corp. took off like a shot. In just two days, it jumped from \$16 to \$25 on the New York Stock Exchange, topping all other issues in trading volume.

On the face of it, it is difficult to explain the frenzied demand for Natus. The NYSE, in fact, is still seeking vainly to find out what triggered the boom. Natus is a shell company—left with nothing but cash after acquisition-minded Crane Co. bought all the physical assets of its predecessor, National-U.S. Radiator, for more than \$15-million in cash last December. This left the new Natus Corp. with cash assets of approximately \$17 a share, which made the stock worth at least \$17—but not much more, at the moment, to most stock analysts.

But to a good number of stock buyers, Natus was evidently worth a lot more than \$17. A main factor was that a Wall Street investment house, Carl M. Loeb, Rhoades & Co., held a big block of its outstanding shares and was interested in using Natus' cash to acquire new properties. Loeb, Rhoades is considered a savvy "deal" house, and with two of its partners on Natus' board, it could be expected to make some major moves.

• **New Vogue**—This combination of Natus' cash and Loeb, Rhoades' Wall Street knowhow was enough for stock buyers to look on Natus as an attractive "asset play." To Wall Street, asset plays fall into several categories. Essentially, though, they involve stocks whose market value is substantially below the company's book value—or which represent assets—cash or otherwise—that appear likely to be put to more profitable use.

In today's nervous stock market, asset plays are getting a big push. Buyers of common stock are looking harder than usual at balance sheets to determine a stock's investment value, particularly now when they see some glam-

orous issues take a pounding. More often than not, of course, a balance sheet gives no clue to stock market behavior, but it does help set up yardsticks.

The new interest in assets also is being helped by brokers, who are constantly on the lookout for "fad" groups to push. Brokers generally run with the crowd, and the asset play has definitely come into fashion.

• **Utilizing Assets**—Assets can be put to work in a number of ways:

• Part or all of the assets may be sold off, and the proceeds used to acquire more profitable businesses. Natus appears likely to be an example of this type although it has yet to make an acquisition. (Acquisitions aren't always profitable, though, notes one old-time broker.)

• Some assets may be sold off at a loss, creating a tax-loss carry-forward that can be used later when other assets earn money. Servel and Glen Alden are cases in point. Servel was considered an attractive asset play about a year ago because it was sitting with a big tax-loss credit; it eventually bought profit-making Burgess Battery, and holders of Servel stock were rewarded with more than a 50% profit.

• Cash on hand can be used to retire outstanding stock. This naturally increases earnings per share, if the company is making money. For example, Wall Street's Shearson, Hammill & Co. cites the case of Crane Co., which reduced its common stock by about one-third. Parmalee Transportation some time ago used surplus funds obtained from the sale of its taxicab licenses to reduce its capitalization.

• **Lure of Land**—Taxicabs are not the only thing obscured in balance sheets. Land is another, and with the big play in land stocks as an added factor, some companies with land properties are getting a close look.

Twentieth Century-Fox is one of a number of motion picture producers—

and other companies—winning attention from investors partly because of lucrative oil properties and real estate. Railroads, too, are being examined because they also own valuable land—usually carried at cost on their balance sheets, but often worth far more. Investors in Atlantic Coast Line RR, for instance, have just profited from the rail's spin-off of its Florida land. The new company, Alico Land Development, started trading at about \$6—the appraised value made by stock analysts—but since has gone over \$8.

Sometimes a company's entry into land development works the other way. Alaska Oil & Minerals had that experience after it purchased Indian Lake Estates, a Florida development, which was having tough financial problems. AOM felt that the development was a money maker, and it was looking for current cash income to finance its Alaskan oil play. So it worked out an elaborate deal to buy Indian Lake Estates basically for some of its own shares. The property is carried on its balance sheet at \$2.2-million, but the company says an independent appraiser put a current fair cash value on it of \$12.7-million. However, shareholders were skeptical—AOM stock dropped from about \$11 to under \$6.

• **Loew's Diversifies**—In the case of Loew's Theatres, Inc., the asset play is not in land for homebuilding, but in old, unprofitable movie houses. The majority of Loew's assets consists of land and buildings that have a book value of about \$60-million. These assets, however, are carried at cost (less depreciation), and stock analysts feel market value may be much higher.

Loew's, moreover, has gradually been selling off some of its unprofitable movie houses. This trend has been heightened by the election of Laurence Tisch, of the Tisch family hotel chain, to the company's board of directors. Tisch now holds a big chunk of Loew's stock, and he is expected to speed Loew's diversification moves. Last week, for example, Loew's announced it was closing one of its New York City movie houses to build a new hotel.

• **Security Holdings**—Hidden assets—in the form of stock ownership of other companies—can also make attractive asset plays. Companies hold stocks in other companies for many reasons—for investment, diversification, or to cement customer relationships, for instance. In many cases, these stock holdings are carried at cost, rather than at market value, which means that investors are



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sometimes buying much more than they think when they buy a company's shares.

For example, American Broadcasting-Paramount Theatres, Inc., holds substantial stock interests in three scientific companies and in Disneyland, Inc. Ekco Products Co. holds 69% of Prestige Group, Ltd., a British producer of housewares. Ekco's investment is carried at a cost of under \$1-million, but recent market evaluations put its interest in Prestige at more than \$16-million.

• **Asarco's Fat Portfolio**—As a group, the biggest holder of other companies' stocks is the mining industry. It is not always a case of making a profitable investment. Many companies in the industry hold big stock blocks in other companies—particularly in fields allied to mining—because it gives them an edge in building ore reserves or in keeping abreast of new technology.

Take American Smelting & Refining. It has a portfolio of marketable securities valued at more than \$220-million. This figures out to about \$40 share of Asarco, yet the stock is selling at only \$43 or so. This means an investor, in effect, is getting an interest in Asarco's 17 smelters and refineries for nothing.

• **Spin-Off Chances**—But a lot of investors don't look with favor on an Asarco-type situation because they fear that a slump in the company's basic business may eat up the profits from investments. In fact, investors seeking asset plays sometimes shun companies holding stock interest in other companies. They reason that a holding company may spin-off some of its profitable businesses, partly on the theory that the company spun off can finance its own growth better. One holding company

that has had sizable trading volume lately is Ogden Corp., which holds a number of businesses under its wing and is spinning off a few of them.

Last week, it announced plans to spin off Teleregister Corp., maker of electronic data systems and stock quotation boards. Last year it spun off Syntex Corp., which manufactures hormones. Syntex stock started trading at about \$20, now is trading around the \$36 mark.

• **Long Waits**—Of course, an investor has to be careful in looking for asset plays among stocks selling below book value. Not all such stocks are attractive. There are times when even book values are exaggerated in terms of current market value. Then, again, although some companies have the proper-looking balance sheet for an asset play, they don't have the management talent to bring about a fundamental change in business. Thus, a considerable amount of time often lapses before operating assets can be turned to more profitable use—and investors may have to wait long periods before capital gains crop up.

A fine example is Atlas Plywood Corp. The company's traditional wood container business has been suffering for the past five years; paper cartons cut into Atlas Plywood's sales volume and profits. Although it had sizable cash assets—after liquidating unprofitable plant—its stock stood relatively still.

Recently, though, the stock took a big jump (from its \$9.25 low last year to \$18) when M. M. Clairmont, Atlas Plywood's chairman, said he was actively seeking acquisition of some companies. Clairmont says Atlas Plywood still has \$18-million to invest, and a \$10-million tax-loss credit.

## Investors Take Fund to Court

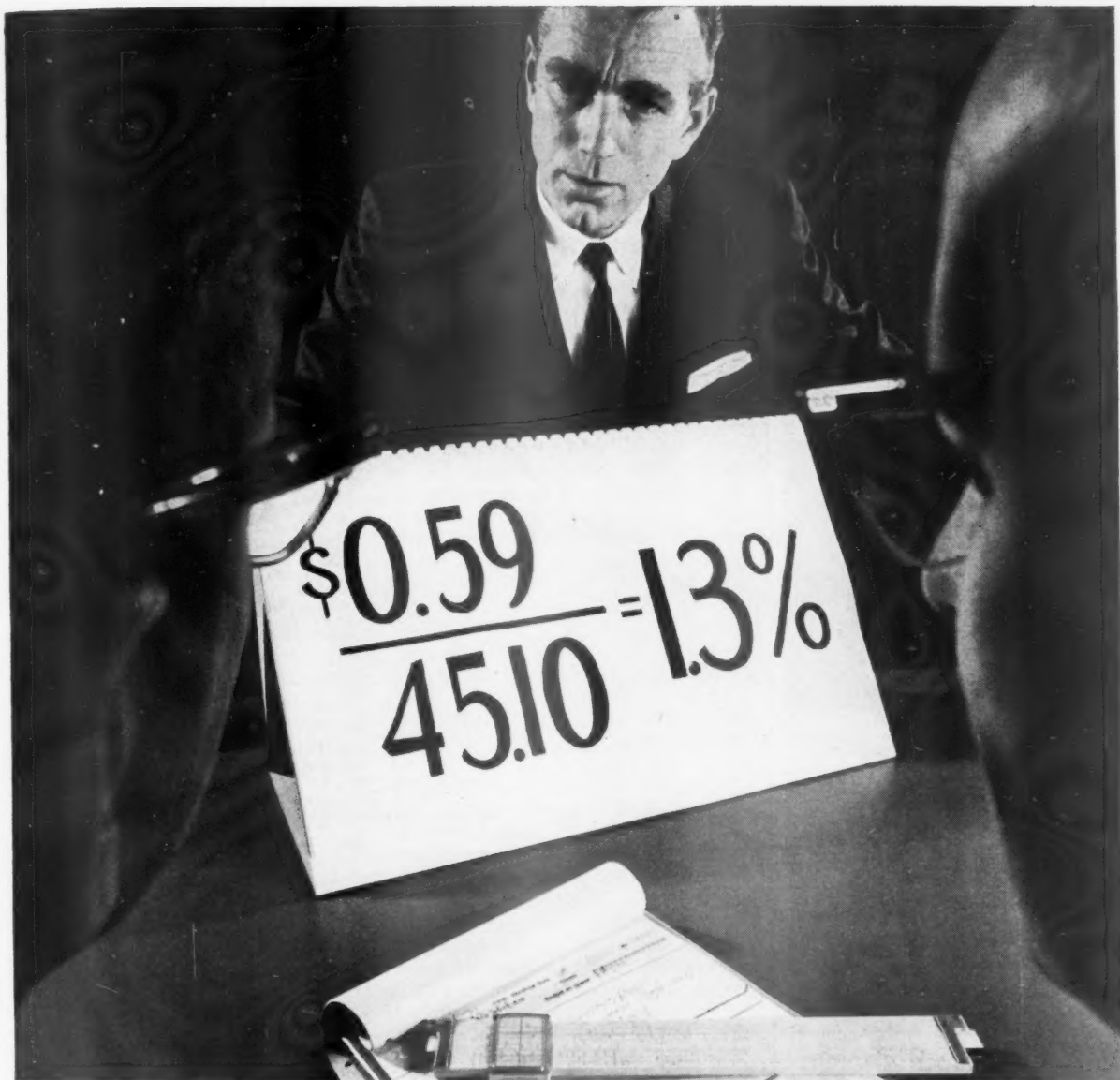
Two shareholders in big Fundamental Investors have filed a suit attacking the size of fees paid for management service and the dual directorships of board members.

A big mutual fund outfit has been slapped with a law suit that threatens to upset the industry's traditional way of doing business.

The suit was filed by two stockholders of Fundamental Investors, Inc., a New Jersey-based fund with current assets of about \$565-million. They charge Fundamental; its distributor, Hugh W. Long & Co., Inc.; and its management adviser, Investors Management Co., with "misappropriating and wasting the fund's assets" through the payment of excessive fees for management advice and administration of the fund. The suit also says that seven

individual fund directors were thus "enabled to wrongfully amass huge profits at the expense of the fund." The legal action was filed in a Delaware court; but no date has been set yet for the hearings.

• **Fees for Advice**—The suit strikes at one of the industry's most sensitive spots—the payment of management fees. Investors Management, like most other management outfits, receives  $\frac{1}{2}$  of 1% of the fund's total assets per annum for its services. In 1959, this amounted to \$2.8-million. But a lot of heat has been generated over this fee size—and the Securities & Exchange Commission,



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among others, has some doubts whether funds are getting the best possible advice for the lowest cost.

A bone of contention is that as a fund's assets grow, the investment manager's percentage fee remains stable while the cost of managing the fund goes up little, if any. This gives the manager richer returns.

The SEC also is concerned with the close relationships between funds and the investment outfits that provide them with advice. Often, fund directors wear two hats—one at the fund, another in an investment house. This concern led to the agency's new proxy rules for mutual funds, which call for the funds to reveal more about management fees than ever before (BW—Feb. 27 '60, p123).

• **Dual Directorships**—The new suit could lay this whole subject open for review—although judges seldom rule on the reasonableness of executive compensation, which seems to be one point in question. The suit was filed two months ago by two New York investors, Sidney and Harriet M. Saxe, joint holders of 336 shares of Fundamental Investors. Among the seven fund directors named as defendants were Chmn. William G. Brady, Jr., Pres. Hugh W. Long, and Vice-Pres. Thomas F. Chalker. Long and Brady are also directors of Investors Management, which is wholly owned by Hugh W. Long & Co. Long and Chalker, the suit claims, own a majority of the stock of Hugh W. Long.

The suit hits at interrelationships such as these. The Investment Company Act of 1940 provides that a fund's management contract must be approved by a majority of the independent members of the fund's board—those not allied to the fund. But the Saxe action claims the management contract "has not been and is not now negotiated at arm's length," that it has been fixed "arbitrarily and collusively" by the defendants.

• **Counterattack**—The Long group has moved quickly but privately to quash the action. On Mar. 20, it issued a proxy statement asking for approval of the management contract by shareholders. The agreement was last approved by shareholders in 1954, but it has continued in effect since by a vote of the fund directors. Featured was the performance record of Fundamental Investors over the past decade. This showed that among 11 big funds, Fundamental placed first from 1955 to 1959 and fifth from 1950 to 1959.

An officer of Fundamental Investors says that the fund "has no reason to believe that our shareholders' high regard for their management company has changed (since the 1954 vote) or that the opinion of the two suing shareholders represents that of even a significant minority. We believe that this suit is entirely without merit."

## Wall St. Talks . . .

. . . about stock splits, market in "Eurodollars," pipeline's package, General Aniline, chemical moves.

Stock splits, which reached a new peak during last year's bull market and then went out of fashion with the decline in prices, may be picking up again. Brokers are talking up a number of split candidates, including U.S. Steel, International Business Machines, Consolidated Edison of New York.

An active business has sprung up among foreign banks dealing in "Eurodollars" abroad. These are U.S. dollars earned by export-import traders in foreign countries and normally either invested in U.S. Treasury bills or deposited in New York banks. With bills yielding just over 3% and New York banks limited to a 3% ceiling on foreign deposits, dollar holders abroad bring them home and deposit them in banks abroad which pay higher interest rates; the banks lend the dollars to trading companies at lower rates than New York banks charge.

Mid-America Pipeline Co.'s \$30-million package issue of debentures and common is picking up strength after a slight decline. Each unit consists of a \$50 debenture and 3.5 shares of common. At midweek, the units, which started trading at 73, were over 72; the debentures were above their initial trading price of 80.

A peace treaty finally seems in the works between the U.S. government, owner of 97% of General Aniline & Film Corp. stock, and Interhandel, the Swiss holding company which held 93% of the stock before the 1942 takeover. An agreement would pave the way for a public sale.

Borden Chemical, a division of Borden Co., is said to be on the verge of a new joint venture in the chemical field. And Unexcelled Chemical Corp. is rumored to be negotiating the purchase of Oneida Paper Products, Inc., a New Jersey packaging firm.

Chase Manhattan officials are claiming a "breakthrough" in signing up Korvette, major New York discount house, for the bank's charge plan service. Chase had faced a solid front of opposition from department stores but hopes that others will follow Korvette's lead.



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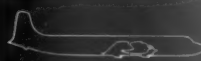
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# In the Markets

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## Buyers Are Cool to New Bond Issue;

### Treasury Blames Low Interest Rate

The strong, winter-long rally in the government bond market came to an abrupt end this week. Yields rose and prices fell on both short- and long-term issues after the Treasury announced that only \$370-million of its new 4½% callable long-term bonds were taken by investors. This was much lower than the Treasury had expected, and its officials were quick to point out that their ability to sell long-term bonds was hampered by the statutory 4½% ceiling now in effect.

There is no doubt that the rally in prices—and fall in yields—was overdone. A week ago, new 91-day Treasury bills yielded 2.73%; this week, the bill yield shot up by almost a full point to 3.62%. The high degree of corporate liquidity, combined with widespread expectations that the Federal Reserve would turn to an easy money policy, were chiefly responsible for the steep drop in yields this winter. But while the Fed has relaxed its tight-money policy, it has not completely reversed its field. At the same time, the very sharp drop by itself made many corporations less eager to continue investing. So the rebound from the extremely low level of rates was in part simply a technical reaction.

This week, though, the return of higher yields was solidified somewhat by the Treasury's auctioning of one-year bills at an average rate of 4.6%—well above the yield available on its new bond. The Treasury felt that this rise indicated a heightened demand for capital as well as a new belief that the economy was emerging from its winter doldrums. Commercial paper rates were hiked, providing additional substance to the Treasury's view.

It is too early to say whether yields will go on advancing. If business continues to pick up, there is a good chance that they may stabilize somewhere around their current levels. But with anticipations playing so large a part in the market, it is probable that the kind of extreme fluctuations that the market has been prone to over the past few months will continue. Thus, the climb in yields may be overdone, too.

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## American-South African Investment Co.

### Takes Beating on N. Y. Stock Exchange

One stock taking a beating on the New York Stock Exchange is American-South African Investment Co., Ltd., a closed-end investing company whose holdings are concentrated in the shares of gold mines and other companies in South Africa. South African shares have been dumped in world markets as a result of the race crisis, and American-South African has been even harder hit. Its shares have plunged from over \$34 to \$23; meanwhile, asset value has declined from \$38.56 to \$30.97, so that the discount from asset value has widened from

11% to 22%. American-South African was first formed in August, 1958, by Charles W. Engelhard, chairman of Engelhard Industries, Inc., and was originally offered at \$28 a share. It is now selling well below its offering price despite the fact that its assets are larger than they were at the start.

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## Sponsors Drop Plans to Sell Shares

### In Closed-End Insurance Stock Fund

Efforts to sell to the public 1.25-million shares of American Life Fund, Inc., at \$20 a share have been halted by the fund's management and First Boston Corp., the manager of the underwriting group (BW-Feb. 20 '60, p. 170). American Life Fund, a closed-end fund, was set up last December to achieve long-term gains through investment in life insurance stocks.

Its sponsors said the issue was withdrawn from SEC registration because dealer and investor interest, while "substantial," was not sufficient to bring the proposed issue to market.

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## Favored Stock Issues Continue

### To Outrun the Rest of the Market

The spread between a relatively small group of favored growth stocks and the general run of equities widened again this week. Investors showed little interest in buying anything other than the comparatively few issues that have shown greater than average growth or that give promise of being able to increase earnings under almost any conditions.

One stock analyst, S. L. Stedman of Carl M. Loeb, Rhoades & Co., thinks the best of the growth stocks will continue to get a big play while interest in other issues remains in the doldrums. As Stedman sees it, the demand for "growth" in science and consumer fields is concentrated on a very few stocks, which are continuing to jump in price simply because the supply of them is small. Thus, despite a lower level of overall demand, those stocks that are labeled as growth issues, whether spurious or real, are moving ahead at a fast clip. They are selling at very high price earnings ratios. They are, in effect, out of touch with the rest of the market.

Indeed, the market has split into two parts—(1) a growth group selling at abnormal levels and (2) the remainder, including many blue chips, selling at "normal" or even below normal levels. It is questionable if the spread between the two will continue to widen. There is no sign yet that the demand for growth is exhausted, nor is there any sign that investors are interested in buying the more pedestrian issues. But if the demand for electronics issues goes on to discount the hereafter, they may invite a shakeout of their own.

Some analysts hope that an upsurge in business will bring the rest of the market closer to the growth issues. But this cannot be expected merely from an upturn in business activity; profit margins must also grow. Today, there is increasing evidence that though sales volume may be high, profit margins are narrowing.

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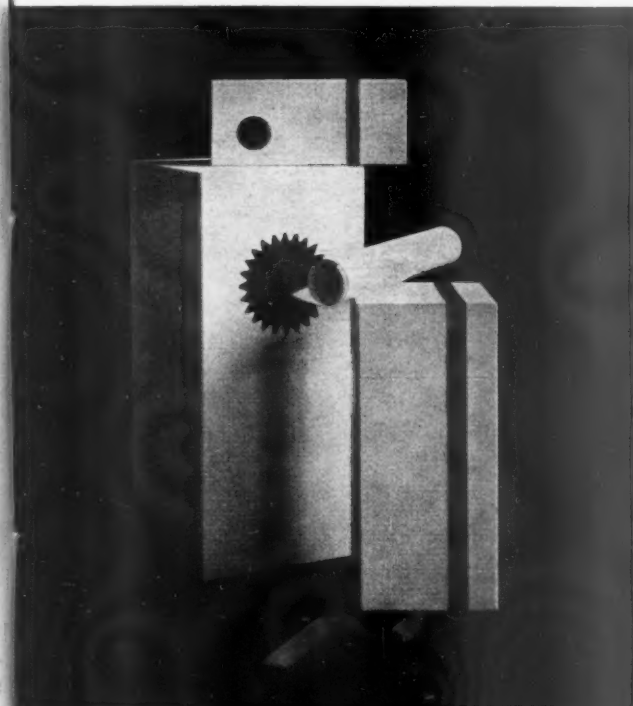
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# PERSONAL BUSINESS

BUSINESS WEEK

APRIL 16, 1960



Today, at least 5-million Americans are victims of alcoholism.

The subject is discussed more freely these days than ever before. But it's still surrounded by a miasma of misinformation.

For example, it may seem necessary to call for help from Alcoholics Anonymous, or AA. But though AA celebrates 25 years this summer, surprisingly few people know much about its workings.

Suppose you have an alcoholic friend who obviously needs help. The first step, if he's in bad shape, is to call his or your family doctor. You can follow this up by suggesting to the victim's wife (or husband) that it might be wise to contact AA. Or you can call AA yourself (it is listed in all city telephone directories). In many cases, of course, the doctor will suggest it.

Soon after you call AA, usually two members will appear. The wait may be a few hours—but probably no longer.

The two visitors will want to talk with your friend privately for at least half an hour, maybe much longer. If you haven't called a physician, they may do so. Or they may call a hospital for alcoholics; AA maintains contact with such institutions. In a hospital, the victim usually stays about five days, for rest under sedation and frequent conversation with AA members. The cost: \$75 to \$100.

If hospitalization isn't needed, AA will make sure that your friend gets to his own home. If he lives out of town, they can even arrange for other AAs to meet him at the airport or railroad station.

Once the initial crisis has passed, AA's long-range program of rehabilitation begins. Basically, the program consists of 12 suggested steps—making up a simple philosophy. There are four main points:

- An admission of defeat—a recognition that with drinking, life has become unmanageable.
- A decision to seek the help of a Higher Power—which doesn't necessarily mean church religion or even a formal concept of God.
- Self-analysis and a program to make amends and remove shortcomings.
- An attempt to apply AA teachings daily and assist other alcoholics.

It's important that an alcoholic decide for himself to work with AA.

Don't force the subject. Psychiatrists and AA members alike will advise you to suggest the idea, perhaps pointedly—but that's all.

If he does want AA's help, members will get him to a local group meeting as soon as possible—maybe even the same night, if he can navigate. He becomes an AA "member" simply by saying he wants to join; there are no dues, fees, or formal requirements.

For a number of weeks or months, the new member likely will be under close "sponsorship." In many cases, veteran AAs will actually drive the newcomer to local meetings several nights a week. If he shows sustained interest, they will keep this up—even if he slips and takes a drink.

Meetings usually are held evenings in church halls (of all denominations). They combine an hour of talks or open discussion, with an hour or so of informal conversation over coffee and cake.

Speakers tell their own stories—omitting little—and explain how they were helped by AA. The new member soon hears a story closely paralleling his own; this way, he "relates" and becomes a part of the group.

Most newcomers quickly become active in the program. It is highly

# PERSONAL BUSINESS (Continued)

**BUSINESS WEEK**

**APRIL 16, 1960**

recommended that they do so. This means attending perhaps three or four meetings a week, for the first year or two; doing the coffee and cake chore, and eventually serving as group secretary, treasurer, program chairman, and chairman. **Most important, it means calling on new prospects.**

After the new AA member passes the crucial three-month mark in staying sober, some groups will give him a token lapel pin (which he wears only if he wants to). After a full year without a drink, there is apt to be a special anniversary meeting in his honor.

**In many cities, he can join AA luncheon clubs meeting in top restaurants.** (He will be surprised at the number of executives and professional men present.) He can even take his wife to AA social events and, in many cases, to meetings. **And always, night or day, he can practice "10¢ therapy"**—when he feels the urge to take a drink, he can step to a phone booth and call an AA friend. **If he does this, chances are he won't take the drink.**

—●—

**Highway Dept.:** You can expect the **Fourth International Automobile Show at New York's Coliseum** (Apr. 16-24) to introduce more than its usual quota of conversation pieces. To give you an idea:

**The Citroen DS-19 Prestige**, a luxury limousine intended for chauffeur use, has an intercom system, a separate heating and ventilating system for the rear compartment, and reading lamps; \$3,895.

**For sports car enthusiasts**, there's the France Jet, a 650-lb. auto with body of aluminum reinforced glassfibre; \$1,495. **For vacationing motorists**, the Amphicar, described as 85% automobile and 15% motor boat, can be driven on land, then directly into water; about \$3,000.

One of several entries may turn out to be **Britain's answer to the Volkswagen**. A likely scorer is the Austin-Morris 850; the 10-ft. auto, with room for four adults, weighs only 1,260 lb. and reportedly gets 35 miles per gal., when driven at a 50-55 mph. cruising speed; about \$1,300.

**If cars keep you fascinated**, you'll probably enjoy Ken Purdy's latest book, **Wonderful World of the Automobile**. Purdy has unearthed exciting anecdotes about cars of many kinds and about the men who build and race them. There's an especially revealing chapter on automobile repair rackets, outlining various standard chiselers' gimmicks (Crowell, \$4.95).

—●—

**Tax-free gift:** The U.S. Supreme Court may have the final say on whether a corporation's grant to an executive's widow—given without a fixed obligation to do so—can be treated as a tax-free gift, instead of as taxable compensation. In past IRS rulings, such transfers have been held taxable in amounts above \$5,000 (following a tax code limitation).

Now, one U. S. Appeals Court has backed up a liberal Tax Court ruling on this point, allowing a \$50,000 tax-free windfall.

—●—

**Potpourri:** Mutual of Omaha is again offering its "**Senior Security Plan**" of health insurance for persons age 65 and over (BW—Feb. 7'59, p81) . . . New on the warm weather market is a steel-panel-wall swimming pool "**kit**" (Coraloc Industries, Inc., 9460 Wilshire Blvd., Beverly Hills, Calif.; \$1,850 for size 18 x 36 ft., plus \$700-\$900 installation cost) . . . **Freedomland USA**, world's largest permanent outdoor amusement center, constructed by the Disneyland builders, opens June 19 in New York.





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# Limestone rides 5½ mile beltline

*This cross-country belt conveyor system moves raw materials for Ideal Cement Co.*



After being crushed, limestone is screened on Link-Belt vibrating screens and then fed to the 5½ mile belt conveyor system, consisting of seven flights—the longest being

After thorough studies Ideal Cement Company decided this belt conveyor was the best method for delivering raw materials to their new 3 million barrel plant at Ada, Okla. It can transport 1,000 tons-per-hour of limestone and shale all the way from the quarry at Lawrence, Okla. to the plant.

The system was designed, furnished and installed by Link-Belt with the cooperation of Ideal's engineers. As prime contractor, Link-Belt was responsible for the complete conveyor requirements, including site

2¼ miles. In its cross-country course the belt conveyor system crosses two highways and two railroads. Cattle and farm machinery can cross at six points.

clearing and excavation, concrete work, access road and fencing, lighting, controls and communications, erection and test running.

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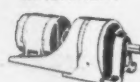
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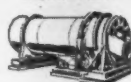
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# Dim Profits, Bright Hopes at Alcoa

**The company is effervescent about future prospects despite thinner earnings of the last few years.**

Someone who hadn't paid much attention to the Aluminum Co. of America since 1950, say, might not recognize it these days. Probably no other billion-dollar company in the U.S. has had to cope with so many changes in the last decade.

From a company that had its industry to itself for most of its life, Alcoa turned into one surrounded by competition. At the same time, the aluminum industry as a whole underwent drastic change.

Alcoa's recent profits mirror the altered climate. In 1958 and 1959, they averaged only 6.9% of net worth—barely more than half the average of the earlier years of the decade. There are two main reasons: excess capacity and price cutting.

• **Full of Hope**—But Pres. Frank L. Magee (cover and picture, left) believes implicitly that "the future's never been brighter." He gives these reasons:

**Foreign markets** are as untapped now as the U.S. market was back in 1935. Europe alone has 50% more people than the U.S. but uses only about one-third as much aluminum. So Alcoa has committed \$200-million in less than three years to get into business abroad.

**More and more uses** for aluminum have opened in the U.S. its largest market, with improved understanding of the material. Alcoa shipped 35% more in the recession year of 1958 than it did in the Korean War boom of 1950.

**Cost cutting** by development of standardized products could be a real business builder. Production of aluminum items has traditionally been done in odd lots, each tailored to an individual customer. Alcoa has been vigorously seeking products with standard specifications that could be turned out on long mill runs with high productivity—like the aircraft sheet of World War II. Its newest hope is a multi-purpose building sheet introduced a few months ago.

**Massive investment** in plant and resources, carried out without hesitation despite the 1956-59 earnings decline, has readied the company for the 1960s—and, Magee vows, for a couple of generations beyond, too.

All these factors give Alcoa's top management confidence in an untarnished future.

A decade ago, Alcoa was just entering

a period in which it would first feel the pangs of commercial competition. For more than 50 years after its founding, in 1888, it was alone in the aluminum industry. During and after World War II, the government helped two integrated rivals to start up—Reynolds Metals Co. and Kaiser Aluminum & Chemical Corp.—and during '50s it encouraged several others. But until the wartime and post-war booms had been spent, there was a market for all the aluminum anybody could produce.

## I. Traditions Topple

At the same time, the boom times saw the beginning of quite a little fabricating competition from companies that had formerly been customers for Alcoa's fabricating business. This trend multiplied during the '50s.

• **The Mostest**—Even so, in 1950 Alcoa's prospects seemed to have very few blemishes. It had the most of everything—men, money, materials, knowhow, customers, credit, and capacity—and it still has the most. Its managers understood thoroughly the economic forces that then controlled aluminum.

They embodied this understanding in a set of policies that any Alcoa veteran will concede were really traditions. Outstanding among the traditions were these:

• **Don't compete with your customers**, whether fabricators or makers of end products. Instead, help them sell their product.

• **Price promotionally**, since a lower price means a broader market, and emphasize customer service.

• **Concentrate heavily on research and development**, since so much business has to be custom-tailored to the purchaser.

Conservatism, particularly in the financial statements, was a way of life at Alcoa in 1950. Because aluminum was relatively new, the stress in selling had to be on negotiating each deal individually, each with its own specifications. The sales force was heavy with technical people who could never have imagined today's promotional brand or mass merchandising.

• **Comes the Change**—The 1950s brought fundamental change to some of the company's cherished traditions. The effects were felt on pricing, production, sales, and personnel. In almost every case, Alcoa could do little to prevent them.

Inflation and the watchfulness of the Justice Dept.'s Antitrust Div. contri-



**PRESIDENT** and chief exec at Alcoa, Frank Magee, stands beside extruded aluminum doors at Pittsburgh headquarters.





**CHAIRMAN** and ex-president, I. W. Wilson, is known throughout industry as "Chief." He joined Alcoa in 1911.

**NEW SMELTER** at Warrick, Ind., shown in model, is responsibility of John D. Harper, general manager of Smelting Div. (left); D. C. Mathewson, division's chief industrial engineer.



**SPACE TOY** is aluminum attention-getter. Under V-Ps F. J. Close (right) and Arthur P. Hall. Selling and advertising show new glamor.



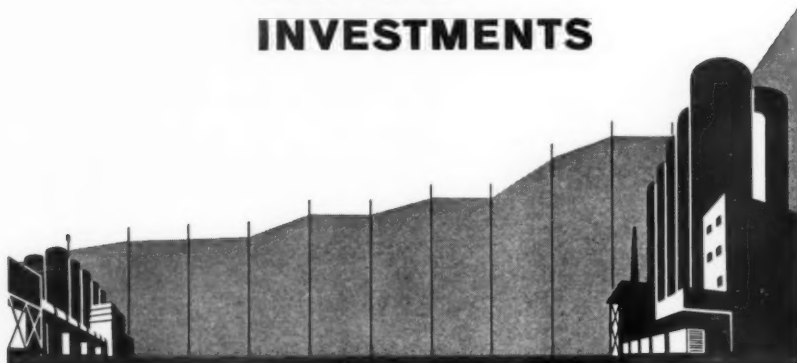
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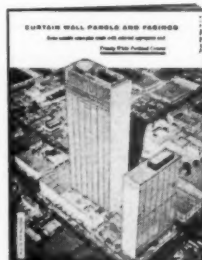


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uted to the shift. The simple fact of competition, after a lifetime alone in the business, induced much of the change. But the rivalry wasn't only from Reynolds and Kaiser or the three other integrated producers who joined the industry during the decade. Much of it came from Alcoa's own customers. In the last 10 years, there have been a lot more customers for aluminum than ever before, and they have been increasingly impelled, in Magee's phrase, to "integrate backwards."

In "backward" integration, a customer does work that a basic raw material producer would ordinarily perform. The steel industry has suffered from very little of this, but in aluminum it has been savage. The punches have been swung by the whole range of the industry's clientele—from the smallest back-alley extruder to the giant auto makers.

As an example, a maker of aluminum window frames might begin in business by buying extrusions from Alcoa and then cutting and assembling the frames himself. The first step in backward integration would be to buy an extrusion press and save money by buying only billets from Alcoa and doing his own extruding. To keep his new extrusion press busy, he might broaden his product line, perhaps by expanding into aluminum molding of all kinds. And if the business flourished, he might carry the integration process still further.

Aluminum foil is perhaps the classic example of how backward integration can make customers into rivals. But competition has been particularly fierce in castings and extrusions, too. Alcoa has been hurt in wire and electrical conductor markets as well. Recently there has also been trouble in building products, and automotive products may well join the list soon.

### **II. Fighting Back**

Alcoa, like any company in a similar plight, has done what it must to meet and beat competition. Of course, both Magee and his predecessor as president, Chmn. Irving W. Wilson, were reluctant to turn away from the tradition that Alcoa helped its customers instead of competing with them—particularly when the tradition had been a factor in transforming Alcoa in 72 years from a \$20,000 speculation into a blue chip with \$1.35-billion in assets.

In the early 1950s Magee and Wilson O.K'd an expensive advertising and promotional campaign to assist the customer. (The budget for this campaign, incidentally, has grown substantially every year since—even when earnings were dropping.) But over-all, Alcoa is competing with its customers more than ever before. It makes more end products today than it did in 1950—and it's



In its day, the stage coach was tops. With the freight wagon, it served communities with no other suitable transport. When the railroads reached enough of the old stage towns, the coach and freight wagon faded into dusty frontier history.

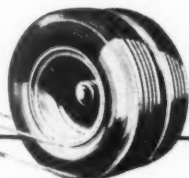
Not only because the railroad could better handle the existing business the stage coaches had, but more importantly because the enormous new business created by superior service was traffic which could never have been handled by muscle power.

In transportation, as in other fields, business tends to go to those best qualified to handle it . . . to those able to provide, overall, the best service. And new forms of transportation in turn create new business the older forms never had.

Not all the freight handled by motor truck has been taken from railroads, to cite an example, nor is all air freight business diverted from either railroads or trucks. Availability of truck service has created vast new markets for industry and agriculture — many of them beyond the physical service facilities of other forms of transportation.

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steadily developing more. It carries fabrication further, on more products, than it did a decade ago.

• **Integrating Forward**—One of Alcoa's competitive tactics has been to engage in "forward integration," by acquiring sound companies in fields it wants to exploit. In the last year or so, it has picked up three such outfits: Rome Cable Corp., which makes heavy electrical conductors; Rea Magnet Wire Co., which could help Alcoa put aluminum into electrical rotating equipment, and Cupples Corp., a maker of building products.

These steps were taken with much caution—and not just because of Alcoa's traditional attitude toward its customers. It was the defendant in an anti-trust case that dragged on for 20 years and finally wound up only three years ago. As a result, it's markedly sensitive to possible repercussions from Washington. Just last week, one such repercussion came—a suit by the Justice Dept. to terminate Alcoa's acquisition of Rome Cable.

## III. Prices Don't Help

Pricing is another area of fundamental change in the aluminum business. For better than two years, aluminum prices have been in a tangle that a decade ago would have seemed as unlikely as a fire sale at Brooks Bros.

For 50 years, Alcoa deliberately and continuously lowered the price of aluminum. Its object: to broaden the market. For the last 15 years, the price trend has been up; since 1957, prices have been thoroughly unstable. No one company or nation controls the price any more; in recent years, it has been influenced more or less profoundly by the Russians, the Canadians, and the French. Aluminum is a world commodity now, Magee observes, and so it's subject to a world commodity price.

• **Thinner Profits**—The switch from a genuinely administered price to relative price anarchy is one major factor behind the marked sag in the aluminum industry's profitability in the late 1950s. Alcoa, for one, thinks it will take several years more to regain the handsome profit levels of the first half of the '50s.

Of course, overcapacity has also been a vexing problem of late. In part, it was caused by the federal government's offer of lavish "come-ons" to induce construction of more smelting plants. But another reason was that aluminum producers and fabricators began to believe their own press clippings saying that a boom was on. Even after the government stopped urging new primary capacity, the integrated producers continued to invest heavily. Even Alcoa guessed wrong: It started a huge new smelter at Warrick, Ind., and then



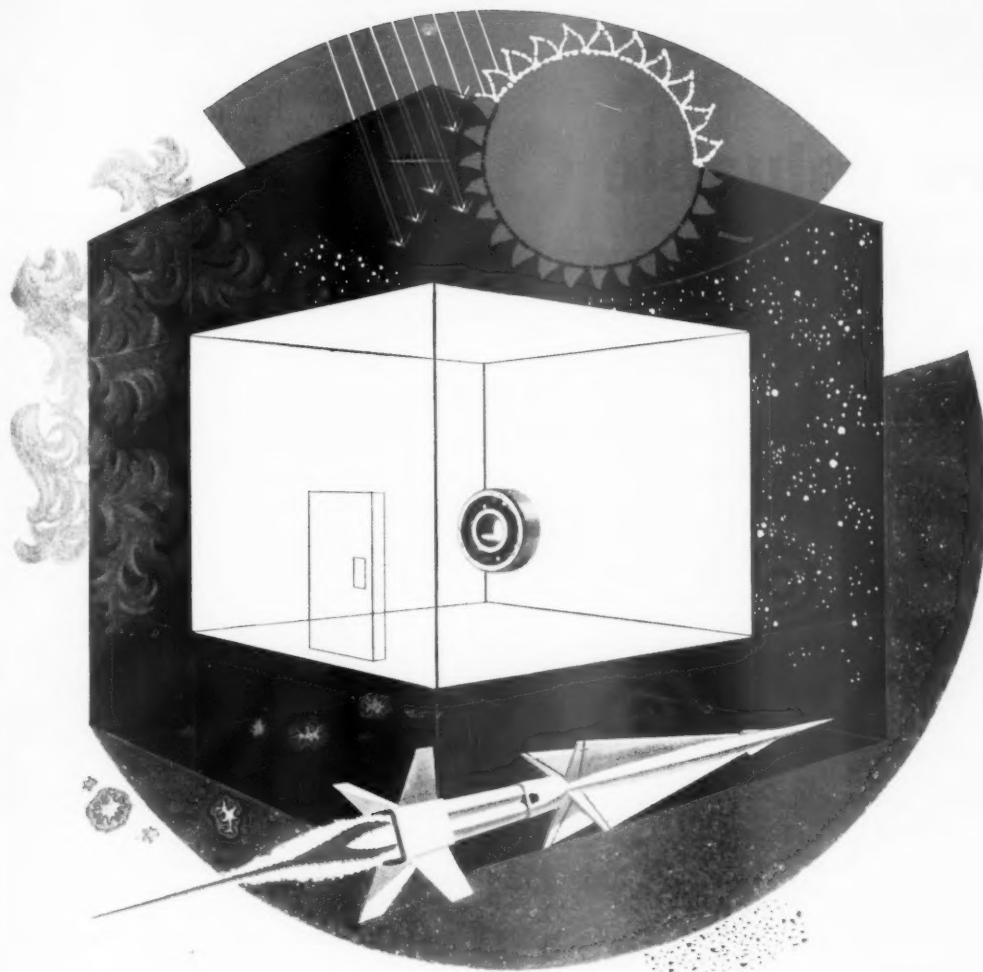
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### A school district suffers

A case in point is that of a school district, bonded to the legal limit and insured under the usual actual cash value policy. A fire destroyed more than three-quarters of the school property. Because of its advanced age, the destroyed portion has been substantially depreciated in the insurance coverage. Thus, the amount of insurance was far from sufficient to restore or replace the structure.

Because the bonding limitations prevented additional borrowing, the district had no choice but to restore

only a portion of the destroyed structure with the insurance proceeds, leaving them with facilities far from adequate. Had replacement cost insurance been carried, this unfortunate situation could have been avoided.

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had to shut down construction during the worst of the recession. This prolonged the drain on earnings.

In mitigation, Alcoa had little choice when the whole industry was bent on expansion. If it hadn't expanded to keep up with competitors, it might have lost position.

### IV. Built-In Earning Power

One thing the storms of the 1950s couldn't change is the kind of people who run Alcoa—and their passionate optimism about aluminum. Magee, the high priest of them all, characteristically predicts: "The next 10 years can be the best in the 43 years I've spent with this company."

This confidence comes naturally, considering that ever since 1917 Magee has been selling aluminum, managing it, promoting it, and training generations of others to do the same. In those 43 years, his indoctrination came primarily from Chmn. Wilson, but also from owner-managers Arthur Vining Davis and Roy A. Hunt. With this background, it's understandable that he is something of a traditionalist, but he was also a modern enough manager to qualify well as president in 1957—just about the time the industry ran into its current problems. Those woes have been unable to diminish his buoyant faith or his personal charm.

• **Its Own Power**—As president and then chief executive officer as well, Magee clung to one ancient Alcoa tradition—its insistence on owning its own raw materials, including electric power. But this policy complicated Alcoa's economic problems. During the '50s, its competitors bought their energy from commercial power systems for use at almost every new smelter. Alcoa, in contrast, almost always bought its own long-term fuel supplies and erected its own generating capacity—at a staggeringly greater initial cost. "We could make more money, short-term, by buying power," Wilson concedes. "But we think of power as an ingredient of aluminum, and we want to control our own raw materials."

Magee is positive that in the long pull Alcoa's power sources will keep its power costs level long after the competition has to pay higher prices. Despite the recent impact on profits, he and Wilson are delighted with the company's coal lands at Warrick, Ind.; its lignite beds at Rockdale, Tex.; its gas fields at Point Comfort, Tex.; its 25% share in a big new Columbia River hydroelectric plant; its \$150-million commitment for hydroelectric and smelting facilities in Dutch Guiana; and its two new hydro properties in the Great Smokies.

The chairman and president regard these investments as built-in earning

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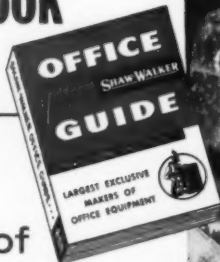
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power for the next couple of generations. Evidence of their faith is the \$600-million, five-year spending program announced in 1956. Despite the steady drop in earnings and rise in fixed charges, that program has hardly been tampered with. Indeed, some significant additions have been made to it.

### V. Selling Goes Glamorous

If Alcoa stuck to its investment traditions, it departed dramatically from the pattern in sales.

For most of its life, Alcoa based its selling on individual engineering, development, and service for each customer. This means big spending for research and development. The company hasn't abandoned this policy—in fact, R&D budgets have increased year by year without a break. But at the same time, it's attempting to develop standardized products that will be suitable to many customers, such as the new building sheet. And it's spreading a lot of unaccustomed razzle-dazzle around.

The splashiness includes point-of-sale merchandising in supermarkets, labeling, and heavy advertising of its customers' products. The sales organization has been strengthened, with six different industry managers, several of them in charge of a number of sub-categories, each with its own manager.

• **Outsiders' Praise**—Perhaps the best testimony to the effectiveness of Alcoa's aggressive new sales approach comes from outside the aluminum industry—from the purchasing vice-president of a company that's one of the nation's largest steel users. He puts it thus: "It's time the steel industry quit making snide remarks about the 'near-metals'... The aluminum people really help when you're considering their products... Steel's lack of data on its 'as-formed' characteristics has forced us all to use more material than we've probably needed. That makes steel a sitting duck for substitution."

An officer of a metalworking company that's also a big user of steel agrees that "steel is being outsold by aluminum." He complains about the steel industry's failure to work diligently on customer problems.

• **No Whimsey**—Such opinions help confirm Alcoa's assurance that aluminum's profitability has not been impaired, long-term, despite the high short-term price it has paid in lost profits. Alcoa officials cite earnings projections for three to five years hence that are far beyond the peaks of the mid-50s—so far beyond as to raise questions whether they are serious.

But they mean what they say. At Alcoa, there's one tradition that is wholly unchanged: Officers absolutely never wax whimsical about dollars. end

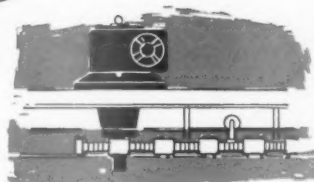


*FAST off-the-shelf delivery*

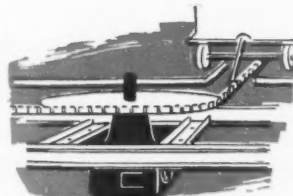
# MORSE EBERHARDT-DENVER CONVEYOR DRIVES



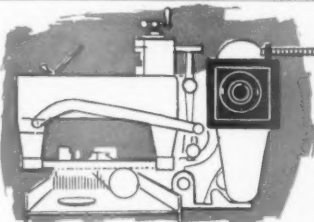
- ★ No design limitation . . . up, down, or 90° mounting
- ★ one-piece alloy cast iron housing ★ high torque capacity ★ single or double reduction gears ★ input ratings from .12 hp to 53.72 hp using double worm reduction or helical worm reduction ★ ratios from 5:1 up to 3600:1— from stock at low factory prices.



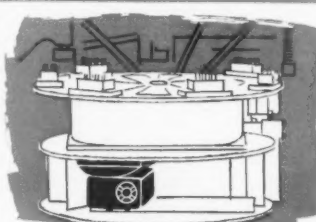
**OVERHEAD . . .** typical caterpillar or sprocket drives



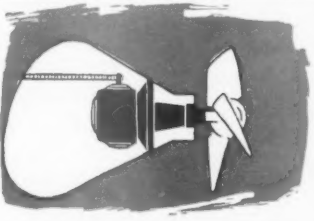
**SUB-FLOOR . . .** for towline or special equipment



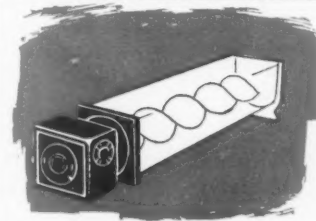
**90° MOUNTING . . .** for heavy-duty metal saws and machines



**VERTICAL . . .** base mounting for power turntable machines



**SIDE MOUNTED . . .** paint, pulp, liquid, or chemical agitators



**HORIZONTAL . . .** screw conveyors, straight or angular mounts . . . and scores of standard or special uses.

## Easy-mount design...only 4 bolts

Morse E-D speed reducers lead in limitless applications with utmost ease in mounting. The 4 holes form a perfect square concentric to the output shaft. Unlike most designs, Morse E-D speed reducers feature oversize bearings on wide centers . . . resulting in an overhung load capacity at the end of the output shaft equal to the torque capacity.

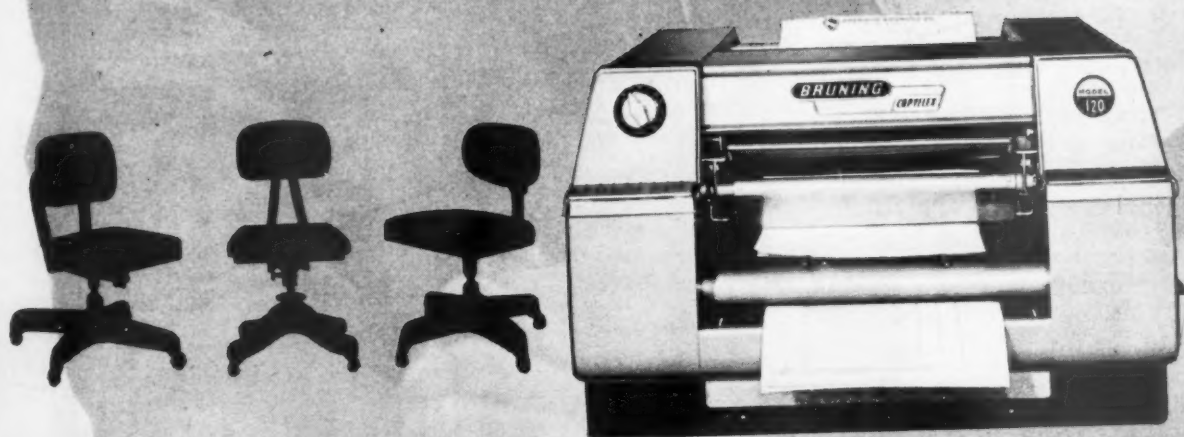
Mounting versatility with the unit's cast-in base makes Morse drives adaptable to conveyors of all types, agitators, screw conveyors, machines, and for any other transmission of power where dependable speed reduction is specified.

You'll find Morse "standard" drives ready for immediate delivery . . . often eliminate the problems of "specials." Check with your Morse distributor, he's listed in the Yellow Pages under "Power Transmission," or write Morse Chain Company, Dept. 3-40, Ithaca, N. Y. for illustrated catalogs. In Canada: Morse Chain of Canada, Ltd., Simcoe, Ontario.

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# In Regions

## Utility Loses Fight for Land

### For a Nuclear Plant in Hawaii

Hawaiian Electric Co. last week lost a 2½-year fight in the courts to condemn 485 acres for a nuclear power plant in the Kahe Valley. The site is near a new industrial complex in which two cement plants, a steel processing plant, and an oil refinery are going up.

In ruling against the company, State Circuit Court Judge Frank A. McKinley held, in effect, that nuclear power is too far in the future to justify such a large tract now. Instead, he gave Hawaiian Electric permission to condemn 83 acres; the utility announced immediately that it would take advantage of the right and build a conventional 75,000-kw. plant by 1963.

## Transit Systems See End of Decline;

### 38 Cities Report More Fares Last Year

The postwar decline in patronage of the nation's transit systems now seems to be bottoming out. Industry members began to sense it last fall (BW-Oct. 3 '59, p99). This week, the figures confirmed it.

At the American Transit Assn. conference in Cleveland, Pres. W. E. P. Duncan announced that the drop from 1958 to 1959 was only 1.75% to 9.6-billion passengers. It was the smallest drop since the decline began.

At the same time, he said, there actually were increases in the 1958-59 period in 38 cities including New York, Chicago, Cleveland, and the Washington (D. C.) and San Francisco-Oakland areas.

## Director of Charity Fund Borrows

### To "Rig" Results of Two Campaigns

The residents of Greater Miami learned to their dismay last week that their 1958 and 1959 United Fund drives were failures—not the successes they were cracked up to be. What's more, part of future drives will have to be set aside to pay back money that had to be borrowed to meet 1958 and 1959 expenses of UF agencies.

The moment of awakening occurred when Harry P. Cain, former U. S. senator from Washington who moved to Miami several years ago and who last year became UF head there, reported to the fund's annual meeting.

In Dade County's first United Fund campaign, in 1958, the goal had been set at \$3,207,707. Afterwards, drive officials announced the goal had been exceeded, with a take of \$3,211,842. Actually, said Cain last week, the drive took in only \$2,880,000. In 1959, the goal was \$3,477,000 and the reported total of contributions was \$3,225,000—when the actual take was only \$2,814,000.

Leroy H. Kitts, the fund's director until he was forced

to resign when Cain dug up the rigged figures, conceded he was responsible. "I know now that it was a mistake," Kitts said, "but we were under tremendous pressure to show a success in the first fund drive."

When the 1958 drive fell short, the fund borrowed money from Miami banks against the 1959 collection. When 1959's campaign fell short again, more was borrowed against this year. Now, Cain said, the UF's 57 member agencies will have to take an 11% cut—instead of getting the 22% increase they estimated was necessary. And for the next five years, \$100,000 must be set aside annually to repay the banks.

## Seattle Wives Help Promote

### Business Deals With Alaskans

For years, the Seattle Chamber of Commerce has conducted tours of its members to Alaska, with which Seattle has strong business ties. Now that Alaska is a state and other cities have begun to court it, Seattle is hustling to stay ahead of the new suitors.

Last week, when time came again for the Seattle chamber tour, the chamber tried a new tack: appealing to Alaska men through their wives.

Chamber officials reasoned that whenever Alaska businessmen took their wives to Seattle on business trips, the women had no friends and were obliged to hang around the hotels. So the Seattle men brought their wives along to Anchorage, Fairbanks, Juneau, Ketchikan.

And new friendships were struck as a result. The Alaskans even invited the Seattle couples to their homes after working hours because, one Seattle man noted, they like to show off their houses to people "from a smaller state."

## Big British Columbia Power Project

### Heads for Start of Work in Summer

After getting a green light from the British Columbia provincial government to proceed with its proposed 3.1-million-kw. hydroelectric power project in northern British Columbia, Peace River Power Development Co. now is negotiating sales contracts with its major prospective customers, British Columbia Electric Co. and the provincial Power Commission.

W. C. Mainwaring, president of the company, expects to begin construction of the first stage this summer. That would start realization of the project first proposed several years ago by the Swedish financier, Axel L. Wenner-Gren. Wenner-Gren still owns the largest share of the company, but now has Canadian and British interests backing him.

To carry through the \$639-million project, Peace River Power apparently will have to find its market within British Columbia, rather than exporting power to the U.S. Northwest. Ottawa, which is backing a joint U.S.-Canadian scheme to increase development of the Columbia River, has asserted it would refuse the company an export license (BW-Dec. 19 '59, p29).



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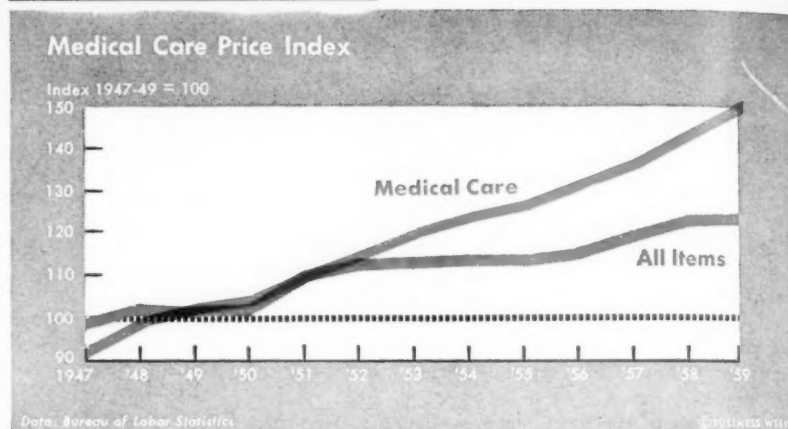


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## CHARTS OF THE WEEK



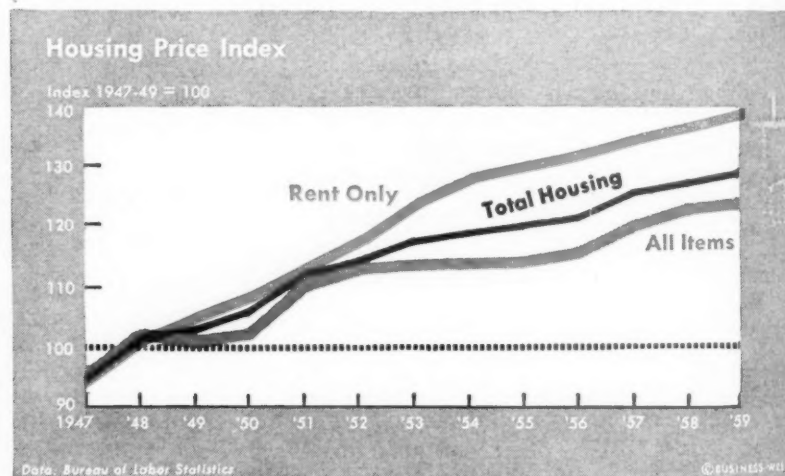
## Higher Bills From Doctor and Dentist

Keeping healthy gets more expensive every day. In the past 10 years, medical care—the fastest growing component in the Consumer Price Index—increased 45%, while the over-all index rose only 21%.

Most of the blame falls on mounting hospital rates and group hospitalization premiums. The cost of a semi-private room almost doubled in the past decade; hospitalization premiums increased by two-thirds, and in many states insurance companies are petitioning for

still higher payments from the hapless insured. Physicians' and dentists' fees are on the rise, too. It costs half again as much to have a baby these days as it did 10 years ago, and the bill for having a tooth pulled is up one-third.

Prescriptions and drugs rose about 18% as manufacturers' higher production and distribution costs were passed on to the consumer. At the bottom of the scale, prices of optometric examination and eyeglasses advanced only 13%.



## A Bigger Slice for the Landlord

That jump in the residential rent index from 1952 to 1953 was caused by the lifting of federal wartime rent controls in July, 1953, followed by rapid local decontrol throughout most of the country. (New York State is the last stronghold of rent control.) In recent years, rising local tax rates and mounting construction and maintenance costs have been passed along to the tenant, and reflected in the index.

The over-all housing cost index has kept pace with the CPI since 1954. But the price movements of individual components have varied widely. The housing group encompasses a variety of durable and nondurable commodities and services, including—in addition to rent—such items as other shelter costs, gas and electricity, house furnishings, fuels, and household operations. A few items—notably appliances and house-





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## On page 75 you saw the famous hands of Warren Spahn



Last season, this 38-year-old southpaw won 20 of his 21 complete games, four by shut-outs. On the mound, Warren Spahn depends on his extraordinary control. But almost everywhere else, his famous hands have the help of Robertshaw controls to perform the everyday magic of our automatic age.

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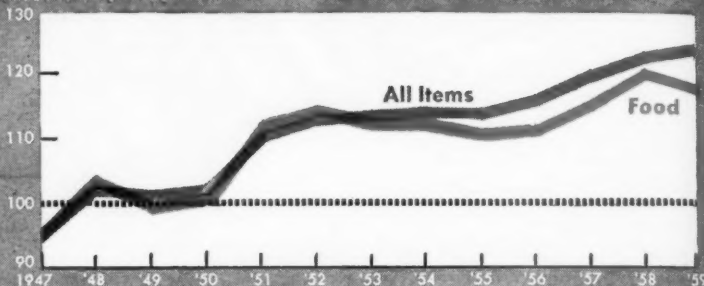
hold linens—actually cost less today than in the 1947-49 base period of the index, while others, such as mortgage

rates, fuel, laundry services, telephone, and water, have been caught up in the inflationary spiral of the past decade.

SN

## Food Price Index

Index 1947-49 = 100



Data: Bureau of Labor Statistics

BUSINESS WEEK

## More Bargains at the Supermarket

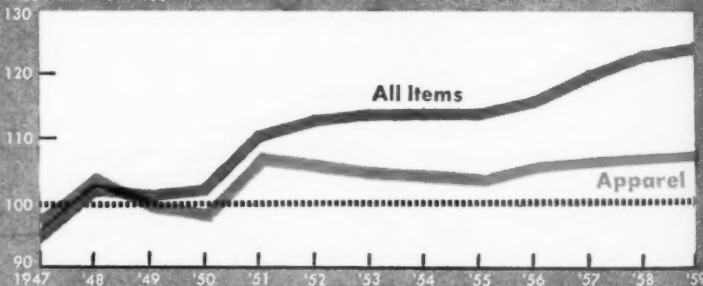
It may not be apparent to the family budget, but food prices have been going down. The probable reason that consumers' food costs seem to be going in the opposite direction is that the average cart at the supermarket check-out counter includes more high-priced frozen foods than the one measured by BLS. This is one weakness in the food price index. Its frozen foods category includes only orange juice, strawberries, peas, and green beans—an unrealistic selection in view of today's buying habits.

Actually, such important items as eggs, meat (especially pork), fish, coffee, poultry, and some partially prepared foods were appreciably lower at the beginning of 1960 than a year earlier. But prices for fresh fruits and vegetables have been mounting steadily. The trend toward special processing and packaging has added to the cost of these.

Restaurant meals, reflecting service as well as materials and overhead costs continued their almost uninterrupted rise of the past 3½ years.

## Apparel Price Index

Index 1947-49 = 100



Data: Bureau of Labor Statistics

BUSINESS WEEK

## Moderate Hike in Apparel Costs

Automation, abundant supply, and increasing competition from low-priced imports have combined to keep apparel costs down and the price index considerably lower than the total CPI. From 1950 to 1959, clothing prices rose only 10%—less than half of the increase in the CPI during the same period.

Except for footwear, where higher operating costs and mounting wholesale prices for leather have driven prices steadily upward, most of the clothing costs measured by BLS showed only moderate increases in the past decade, and quite a few—notably children's clothing, women's lingerie, and men's shirts and pajamas—have declined.

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# A Challenge That Can't Be Ducked

Health insurance for the aged is fast becoming the No. 1 issue facing Congress this year (page 25). And there's political dynamite in it: Any candidate suspected by the millions of old people (and those concerned about their health problems) of taking a cold or know-nothing attitude toward the issue is likely to be in serious trouble this election year.

One thing about the issue is clear: Although plenty of politicians may see it as a vote-catching device, there is nothing synthetic or phony about the problem. Everyone who has seriously studied the situation has concluded that the provision of better health care for the aged is a serious—and growing—problem. Thanks to medical progress, the number of aged is increasing rapidly. In 1930, there were 6-million people over 65 in the U.S.; today there are 16-million.

For far too many of these, long life has meant shrunken incomes, increased sickness, loneliness, and the shame of being a candidate for a handout from society. Health, Education & Welfare Secy. Flemming, in his thorough report to the House Ways & Means Committee last year, concluded that three out of every four aged persons would be able to “prove need in relation to hospital costs.” That is to say, they would be able to prove that they simply could not afford to pay for the care they needed when taken seriously ill.

The issue, then, is not whether there is a problem but rather how to meet the problem.

## Two Approaches

Rep. Aime Forand (D-R. I.) has proposed to deal with it through a system of compulsory federal insurance within the framework of the Social Security Act. The Forand bill would provide insurance covering 60 days of hospital care, or 120 days of combined hospital and nursing home care, together with surgical services, to all those eligible for old age insurance benefits. It would be financed, initially, by boosting Social Security payroll taxes  $\frac{1}{2}\%$ —divided equally between employees and employers.

The Forand bill has been attacked for a number of reasons by various groups, especially the American Medical Assn., which sees it as the camel's nose of socialized medicine coming under the tent.

But the main weakness of the Forand bill, as specialists in the health field see it, is not that it does too much but too little. They condemn it as too narrow and as an encouragement to “hospitalitis”—the tendency, inherent in many of our present voluntary insurance programs, to put the sick into hospitals because there are no provisions for covering treatment at home or in doctors' offices.

The bill sponsored by Sen. Javits (R-N. Y.) strikes at this weakness. As Javits points out, though hos-

pitalization costs comprise a large part of an aged person's annual medical bill, the average older couple spends \$140 a year on health costs unrelated to hospitalization. “One out of every six persons 65 years and older,” says Javits, “pays over \$500 in medical bills annually.” Yet 60% of the old people have annual incomes under \$1000 and can't afford home or office care that might cut down the length of hospitalization or eliminate it altogether.

Javits would deal with the problem by a voluntary program that would combine federal and state subsidies, contributions scaled to income by the aged themselves, and both commercial and nonprofit insurance companies such as Blue Cross and Blue Shield. The program would not become operative in any state until the state put up the money, arranged with the insurance carriers, and agreed to certain standards for the program.

Although the Javits bill makes a hard effort to provide a “voluntary” (and heavily subsidized) program, it does not appear to meet the test of practicality. The program would take a very long time to negotiate with 50 individual state governments and with the insurance carriers—assuming that it would be possible at all to get them involved in a program whose costs are unpredictable.

Indeed, after studying Flemming's able report and the arguments on all sides of this issue, we are forced to conclude that the voluntary approach simply will not do the job.

The problem basically is that the aged are high-cost, high-risk, low-income customers. Their health needs can be met only by themselves when they are young or by other younger people who are still working. The only way to handle their health problem, therefore, is to spread the risks and costs widely. And that can best be done through the Social Security System to which employers and employees contribute regularly. By comparison with the heavily subsidized schemes, this approach has the advantage of keeping old people from feeling that they are beggars living off society's handouts.

We do not pretend to know all the answers to the problem of enlarging the Social Security system to include a health insurance program for the aged. Even a modest study of the problem immediately convinces anyone of its difficulty and complexity. At this point, we don't think that the complete answer to it has emerged.

Nevertheless, no democratic government can refuse to grapple with a problem of such demonstrated urgency and importance. The issue cannot be evaded and, before it becomes a political football, the politicians of both parties should accept responsibility for finding the best possible answer in the shortest possible time.

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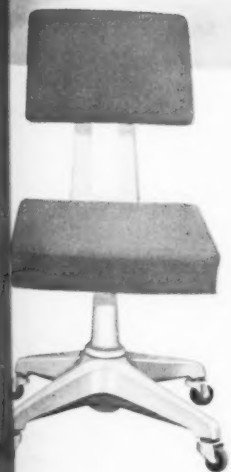
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